



Swartland Municipality
Unaudited Annual Financial Statements
for the year ended 30 June 2020

Swartland Municipality

Annual Financial Statements for the year ended 30 June 2020

General Information

Nature of business and principal activities

Swartland Municipality (the municipality) is a category B, medium capacity, local government institution in Malmesbury, Western Cape. The addresses of its registered office and principal place of business are disclosed hereunder and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

Reporting entity's mandate:

The reporting entity (hereafter 'the Entity') is a medium-capacity, category B local authority established in terms of section 151 of the Constitution of the Republic of South Africa (Act 108 of 1996).

The principal activities of the Entity are to:

- * provide democratic and accountable government to the local communities;
- * ensure sustainable service delivery to communities;
- * promote social and economic development;
- * promote a safe and healthy environment; and
- * encourage the involvement of communities and community organisations in the matters of local government.

The Entity's operations are governed by the Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems (Act 32 of 2000) and various other acts and regulations.

Legal Council

Terblanche, Slabber and Pieters
8 Truter Street
Malmesbury

Du Plessis and Mostert
13 Piet Retief Street
Malmesbury

Roux and Van Dyk
42 Main Road
Moorreesburg

Mayor
Deputy Mayor
Speaker

Councillor T van Essen
Councillor M S I Goliath
Councillor M Rangasamy

Members of Executive Mayoral Committee

Chairperson	Councillor T van Essen
Member	Councillor M S I Goliath
Member	Councillor O M Stemele
Member	Councillor M van Zyl
Member	Councillor R F van der Westhuizen
Member	Councillor P E Solomons

Chairpersons of the Portfolio Committees

Office of the Municipal Manager, Administration and Finances	Councillor C Daniels Councillor E S M Maart (effective from 1 April 2020)
Civil and Electrical Services	Councillor N Smit
Development Services	Councillor JM de Beer
Protection Services	Councillor DG Bess

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General Information

Members of the Performance and Risk Audit Committee	Chairperson	Ms M Roos
	Member	Mr C B de Jager
	Member	Mr G N Lawrence (effective from 1 November 2019)
	Member	Mr R I Kingwill (term ended 31 August 2019)
Auditors		Auditor-General of South Africa
Bankers		Standard Bank of South Africa
Registered office		1 Church Street MALMESBURY 7300
Business address		1 Church Street MALMESBURY 7300
Postal address		Private Bag X 52 Malmesbury 7299
Accounting Officer		J J Scholtz
Director: Financial Services		M A C Bolton
Council members of the Swartland Municipality		Bekebu Z Bess D G Daniels C De Beer J M Goliath M S I Humphreys F S Maart E S M McQuire V D Mfutwana L E O'Kennedy E C Papers C H Penxa B J Philander D B Rangasamy M A Smit N Sneewe A M Solomons P E Stanley B J Stemele O M Van der Westhuizen R F Van Essen T Van Zyl M Zatu N S

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AFS	Annual Financial Statements
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

As per Government Gazette no. 43582 dated 5th August 2020, National Treasury has granted municipalities and municipal entities a two-month extension regarding the submission of AFS. The municipality has taken advantage of this exemption.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

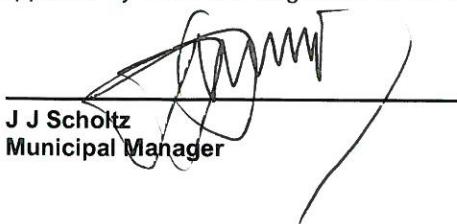
The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

In terms of Section 13G, read with regulation 12 of the B-BBEE Regulations, all spheres of government, public entities and organs of state must report on their compliance with broad-based black economic empowerment in their audited annual financial statements and annual reports. Compliance is disclosed in the annual report.

I certify that salaries, allowances and benefits of councillors as disclosed in note 34 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998, and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 5 to 130, which have been prepared on the going concern basis, were approved by the accounting officer on 29 October 2020 and were signed:



J J Scholtz
Municipal Manager

Swartland Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	630 365 897	525 325 430
Receivables from exchange transactions	3 and 5	83 781 769	70 928 070
Receivables from non-exchange transactions	4 and 5	25 886 849	27 551 237
Inventories	6	14 671 437	17 507 272
Construction contracts and receivables/(payables)	7	125 682	-
VAT receivable	8	2 496 242	8 108 179
Operating lease asset	9	77 335	47 342
Finance lease receivables - short term portion	10	784	691
		757 405 995	649 468 221
Non-Current Assets			
Property, plant and equipment	11	1 951 220 137	1 924 888 814
Investment property	12	35 170 391	34 571 117
Intangible assets	13	916 800	1 164 744
Heritage assets	14	1 119 900	1 119 900
Finance lease receivables	10	1 893	2 677
		1 988 429 121	1 961 747 252
Total Assets		2 745 835 116	2 611 215 473
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	99 875 525	90 256 699
Consumer deposits	16	13 831 016	12 750 568
Employee benefit obligation	17	3 987 000	3 770 907
Other financial liabilities	18	10 017 935	11 710 278
Unspent conditional grants and receipts	19	16 850 005	8 462 474
Operating lease liability	9	84 888	59 839
Construction contracts and receivables/(payables)	7	-	2 529 369
		144 646 369	129 540 134
Non-Current Liabilities			
Employee benefit obligation	17	65 052 000	67 899 606
Other financial liabilities	18	107 948 337	117 966 271
Provisions	20	34 417 988	30 555 807
		207 418 325	216 421 684
Total Liabilities		352 064 694	345 961 818
Net Assets		2 393 770 422	2 265 253 655
Reserves			
Statutory funds	21	2 677	3 368
Reserves	22	199 505 121	191 815 807
Accumulated surplus	23	2 194 262 624	2 073 434 480
Total Net Assets		2 393 770 422	2 265 253 655

* See Note 52, 54 and 51

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Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	454 718 635	405 799 868
Construction contracts	7	10 283 766	26 911 925
Rental of facilities and equipment	25	1 530 733	1 533 273
Agency services	67	3 940 171	4 373 231
Operational revenue	26	13 686 137	12 521 679
Interest received	27	47 063 463	41 983 574
Total revenue from exchange transactions		531 222 905	493 123 550
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	125 025 191	115 710 649
Interest received on rates receivables		637 614	798 137
Transfer revenue			
Government grants and subsidies	29	174 659 994	148 469 633
Public contributions and donations	30	1 937 960	316 747
Fines	31	22 745 065	27 702 812
Licences and permits	32	3 562 471	4 029 579
Donated property, plant and equipment		1 365 864	208 199
Total revenue from non-exchange transactions		329 934 159	297 235 756
Total revenue		861 157 064	790 359 306
Expenditure			
Employee related costs	33	220 617 326	193 951 925
Remuneration of councillors	34	10 890 659	10 369 397
Depreciation and amortisation	35	86 987 005	86 145 308
Finance costs	36	14 452 515	15 491 461
Bad debts written off	4	27 978 689	32 708 720
Bulk purchases	37	229 091 017	194 308 453
Contracted services	38	66 934 009	85 829 446
Grants and subsidies paid	39	3 878 972	2 565 194
Other materials	40	26 247 481	25 940 064
Operational cost	41	27 614 001	26 460 899
Total expenditure		714 691 674	673 770 867
Operating surplus		146 465 390	116 588 439
Gains on sale of fixed assets		498 856	1 468 768
Gains on sale of land		3 139 977	6 292 890
Gains on vesting of properties and equipment	42	9 924 321	5 199 553
Loss on property, plant and equipment		(7 923 767)	(5 983 905)
Impairment losses on assets and receivables	43	(21 741 664)	(7 858 078)
Inventory losses: Water losses		(1 846 349)	(2 561 851)
Surplus for the year		(17 948 626)	(3 442 623)
Surplus for the year		128 516 764	113 145 816

* See Note 52, 54 and 51

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Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand	Statutory Fund	Capitalisation reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	6 263	181 164 978	181 171 241	1 962 021 245	2 143 192 486
Adjustments					
Correction of errors	-	-	-	8 915 353	8 915 353
Balance at 01 July 2018 as restated*	6 263	181 164 978	181 171 241	1 970 936 598	2 152 107 839
Changes in net assets					
Transfer to Statutory Fund	(2 895)	-	(2 895)	2 895	-
Transfer to Capital Replacement Reserve	-	51 214 749	51 214 749	(51 214 749)	-
Property, plant and equipment purchased	-	(40 563 920)	(40 563 920)	40 563 920	-
Net income (losses) recognised directly in net assets	(2 895)	10 650 829	10 647 934	(10 647 934)	-
Surplus for the year	-	-	-	113 145 816	113 145 816
Total recognised income and expenses for the year	(2 895)	10 650 829	10 647 934	102 497 882	113 145 816
Total changes	(2 895)	10 650 829	10 647 934	102 497 882	113 145 816
Restated* Balance at 01 July 2019	3 368	191 815 807	191 819 175	2 073 434 483	2 265 253 658
Changes in net assets					
Surplus for the year	-	-	-	128 516 764	128 516 764
Transfer to Statutory Fund	(691)	-	(691)	691	-
Transfer to Capital Replacement Reserve	-	54 757 590	54 757 590	(54 757 590)	-
Property, plant and equipment purchased	-	(47 068 276)	(47 068 276)	47 068 276	-
Total changes	(691)	7 689 314	7 688 623	120 828 141	128 516 764
Balance at 30 June 2020	2 677	199 505 121	199 507 798	2 194 262 624	2 393 770 422

Note(s)

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* See Note 52, 54 and 51

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Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Interest income		47 422 505	42 123 738
Cash receipts from ratepayers, government and other		764 270 705	690 767 882
		<u>811 693 210</u>	<u>732 891 620</u>
Payments			
Finance costs		(14 452 515)	(14 277 679)
Cash paid to suppliers and employees		(574 736 597)	(553 888 946)
		<u>(589 189 112)</u>	<u>(568 166 625)</u>
Net cash flows from operating activities	45	<u>222 504 098</u>	<u>164 724 995</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(109 392 878)	(88 481 521)
Proceeds from sale of property, plant and equipment	11	498 856	1 468 768
Purchase of investment property	12	-	(2 294 480)
Proceeds from sale of investment property	12	3 139 977	-
Purchase of other intangible assets	13	-	(207 073)
Net cash flows from investing activities		<u>(105 754 045)</u>	<u>(89 514 306)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(11 710 277)	(10 686 087)
Finance lease receipts		691	2 895
Net cash flows from financing activities		<u>(11 709 586)</u>	<u>(10 683 192)</u>
Net increase/(decrease) in cash and cash equivalents		<u>105 040 467</u>	<u>64 527 497</u>
Cash and cash equivalents at the beginning of the year		525 325 430	460 797 933
Cash and cash equivalents at the end of the year	2	<u>630 365 897</u>	<u>525 325 430</u>

* See Note 52, 54 and 51

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Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Original Budget	Adjustments and Virements	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	419 650 112	(1 826 983)	417 823 129	454 718 635	36 895 506	
Construction contracts	-	-	-	10 283 766	10 283 766	44.1
Rental of facilities and equipment	1 585 736	20 000	1 605 736	1 530 733	(75 003)	
Agency services	4 300 000	300 000	4 600 000	3 940 171	(659 829)	44.2
Operational revenue	11 364 468	214 804	11 579 272	13 686 137	2 106 865	44.3
Interest received	43 718 684	1 619 242	45 337 926	47 063 463	1 725 537	
Total revenue from exchange transactions	480 619 000	327 063	480 946 063	531 222 905	50 276 842	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	121 289 023	-	121 289 023	125 025 191	3 736 168	
Interest received on rates receivables	-	-	-	637 614	637 614	44.4
Transfer revenue						
Government grants & subsidies	179 826 895	17 096 940	196 923 835	174 659 994	(22 263 841)	44.5
Public contributions and donations	-	2 020 000	2 020 000	1 937 960	(82 040)	
Fines	32 799 635	-	32 799 635	22 745 065	(10 054 570)	44.6
Licences and permits	4 121 887	402 000	4 523 887	3 562 471	(961 416)	44.7
Donated property, plant and equipment	-	-	-	1 365 864	1 365 864	44.8
Total revenue from non- exchange transactions	338 037 440	19 518 940	357 556 380	329 934 159	(27 622 221)	
Total revenue	818 656 440	19 846 003	838 502 443	861 157 064	22 654 621	
Expenditure						
Employee related costs	217 513 980	3 788 560	221 302 540	220 617 326	(685 214)	
Remuneration of councillors	11 111 665	2 000	11 113 665	10 890 659	(223 006)	
Depreciation and amortisation	88 293 120	(5 550)	88 287 570	86 987 005	(1 300 565)	
Finance costs	18 581 231	(5 425 187)	13 156 044	14 452 515	1 296 471	
Bad debts written off	35 285 248	5 327 652	40 612 900	27 978 689	(12 634 211)	44.9
Bulk purchases	227 700 000	(300 000)	227 400 000	229 091 017	1 691 017	
Contracted Services	62 216 887	7 188 854	69 405 741	66 934 009	(2 471 732)	
Other materials	34 680 494	314 612	34 995 106	26 247 481	(8 747 625)	44.10
Transfers and subsidies	3 167 648	1 442 113	4 609 761	3 878 972	(730 789)	44.11
Operational costs	38 307 537	946 381	39 253 918	27 614 001	(11 639 917)	44.12
Total expenditure	736 857 810	13 279 435	750 137 245	714 691 674	(35 445 571)	
Operating surplus	81 798 630	6 566 568	88 365 198	146 465 390	58 100 192	
Loss on Property Plant and Equipment	(1 000 000)	(6 686 635)	(7 686 635)	(7 923 767)	(237 132)	
Gains on vesting of properties	-	-	-	9 924 321	9 924 321	44.13

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Original Budget	Adjustments and Virements	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note Reference
Impairment losses on assets and receivables	-	-	-	(21 741 664)	(21 741 664)	44.9
Inventory Losses: Water Losses	-	-	-	(1 846 349)	(1 846 349)	44.12
Gains on Sale of Fixed Assets	-	498 856	498 856	498 856	-	
Gains on Sale of Land	200 000	4 943 186	5 143 186	3 139 977	(2 003 209)	44.14
	(800 000)	(1 244 593)	(2 044 593)	(17 948 626)	(15 904 033)	
Surplus before taxation	80 998 630	5 321 975	86 320 605	128 516 764	42 196 159	
Capital Expenditure by Vote						
Corporate Services	128 000	2 099 803	2 227 803	123 610	(2 104 193)	44.15
Civil Services	82 932 072	(18 099 198)	64 832 874	59 354 324	(5 478 550)	
Council Revenue	10 000	(6 934)	3 066	2 431	(635)	
Electricity Services	19 883 650	3 335 000	23 218 650	20 883 631	(2 335 019)	
Financial Services	46 000	17 041	63 041	10 472 061	10 409 020	44.16
Development Services	39 846 000	8 919 090	48 765 090	29 770 539	(18 994 551)	44.17
Municipal Manager	10 000	(10 000)	-	-	-	
Protection Services	1 001 850	703 150	1 705 000	2 640 191	935 191	44.18
Total Capital Expenditure	143 857 572	(3 042 048)	140 815 524	123 246 787	(17 568 737)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Original Budget	Adjustments and Virements	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	15 694 393	3 294 761	18 989 154	14 671 437	(4 317 717)	44.19
Operating lease	-	-	-	77 335	77 335	
Construction contracts and receivables/(payables)	-	-	-	125 682	125 682	44.20
Finance lease receivables	-	47 341	47 341	784	(46 557)	
Consumer debtors	124 459 997	(11 381 964)	113 078 033	82 029 825	(31 048 208)	44.21
Other receivables	16 663 754	17 503 298	34 167 052	27 638 793	(6 528 259)	44.22
VAT receivable	-	-	-	2 496 242	2 496 242	44.22
Cash and cash equivalents	548 628 623	13 329 201	561 957 824	630 365 897	68 408 073	44.23
	705 446 767	22 792 637	728 239 404	757 405 995	29 166 591	
Non-Current Assets						
Investment property	48 620 719	(4 388 296)	44 232 423	35 170 391	(9 062 032)	44.24
Property, plant and equipment	1 961 379 404	8 472 833	1 969 852 237	1 951 220 137	(18 632 100)	
Intangible assets	188 118	338 437	526 555	916 800	390 245	44.25
Heritage assets	769 900	350 000	1 119 900	1 119 900	-	
Finance lease receivables	-	1 986	1 986	1 893	(93)	
	2 010 958 141	4 774 960	2 015 733 101	1 988 429 121	(27 303 980)	
Total Assets	2 716 404 908	27 567 597	2 743 972 505	2 745 835 116	1 862 611	
Liabilities						
Current Liabilities						
Other financial liabilities	13 297 798	(3 279 863)	10 017 935	10 017 935	-	
Operating lease liability	-	-	-	84 888	84 888	
Payables from exchange transactions	124 441 850	1 747 987	126 189 837	99 875 525	(26 314 312)	44.26
Consumer deposits	11 223 992	3 223 267	14 447 259	13 831 016	(616 243)	
Employee benefit obligation	-	-	-	3 987 000	3 987 000	44.26
Unspent conditional grants and receipts	-	-	-	16 850 005	16 850 005	44.26
Provisions	8 883 950	(1 401 926)	7 482 024	-	(7 482 024)	44.27
	157 847 590	289 465	158 137 055	144 646 369	(13 490 686)	
Non-Current Liabilities						
Other financial liabilities	151 735 165	(43 751 986)	107 983 179	107 948 337	(34 842)	
Employee benefit obligation	-	-	-	65 052 000	65 052 000	44.28
Provisions	76 555 799	26 259 234	102 815 033	34 417 988	(68 397 045)	44.28
	228 290 964	(17 492 752)	210 798 212	207 418 325	(3 379 887)	
Total Liabilities	386 138 554	(17 203 287)	368 935 267	352 064 694	(16 870 573)	
Net Assets	2 330 266 354	44 770 884	2 375 037 238	2 393 770 422	18 733 184	

Swartland Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Original Budget	Adjustments and Virements	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Statutory Funds	-	-	-	2 677	2 677	
Reserves	244 227 489	(46 772 839)	197 454 650	199 505 121	2 050 471	
Accumulated surplus	2 086 038 865	91 543 723	2 177 582 588	2 194 262 624	16 680 036	
Total Net Assets	2 330 266 354	44 770 884	2 375 037 238	2 393 770 422	18 733 184	

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Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Original Budget	Adjustments and Virements	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from rate payers, government and other	720 466 217	27 288 189	747 754 406	764 270 705	16 516 299	
Interest income	43 718 684	1 619 242	45 337 926	47 422 505	2 084 579	
	764 184 901	28 907 431	793 092 332	811 693 210	18 600 878	
Payments						
Finance costs	(18 581 231)	5 425 187	(13 156 044)	(14 452 515)	(1 296 471)	
Cash paid to suppliers and employee	(590 655 698)	(5 569 586)	(596 225 284)	(574 736 597)	21 488 687	
	(609 236 929)	(144 399)	(609 381 328)	(589 189 112)	20 192 216	
Net cash flows from operating activities	154 947 972	28 763 032	183 711 004	222 504 098	38 793 094	
Cash flows from investing activities						
Purchase of property, plant and equipment	(143 857 572)	3 042 048	(140 815 524)	(109 392 878)	31 422 646	44.29
Proceeds from sale of property, plant and equipment	200 000	331 710	531 710	498 856	(32 854)	
Proceeds from sale of investment property	-	-	-	3 139 977	3 139 977	44.30
Net cash flows from investing activities	(143 657 572)	3 373 758	(140 283 814)	(105 754 045)	34 529 769	
Cash flows from financing activities						
Proceeds from borrowings	50 000 000	(50 000 000)	-	-	-	
Repayment of borrowings	(13 297 798)	3 279 864	(10 017 934)	(11 710 277)	(1 692 343)	44.31
Increase (decrease) in consumer deposits	(1 568 371)	4 791 637	3 223 266	-	(3 223 266)	44.32
Decrease in long-term receivables	18 460	(20 446)	(1 986)	691	2 677	
Net cash flows from financing activities	35 152 291	(41 948 945)	(6 796 654)	(11 709 586)	(4 912 932)	
Net increase/(decrease) in cash and cash equivalents	46 442 691	(9 812 155)	36 630 536	105 040 467	68 409 931	44.23
Cash and cash equivalents at the beginning of the year	495 086 336	30 240 952	525 327 288	525 325 430	(1 858)	
Cash and cash equivalents at the end of the year	541 529 027	20 428 797	561 957 824	630 365 897	68 408 073	

Budget variances are discussed in Note 44.

Swartland Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out below in note 1.1 changes in accounting policies, changes in estimates and errors.

1.1 Changes in accounting policies, changes in estimates and errors

Accounting Policies have been consistently applied, except where otherwise indicated. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

Standards that are not yet effective are included in policy 1.2 below. Accounting Standards implemented for the first time are listed in policy 1.3 below.

The municipality changes an accounting policy only in the following instances:

- if it is required by a Standard of GRAP; or
- if it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

Changes in accounting policies that are affected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which a retrospective restatement is practicable. Refer to note 54 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 52 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

1.2 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards were issued but are not yet effective and have not been early adopted by the municipality. The ASB Directive 5, paragraph 8, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

- GRAP 18: Segment Reporting issued March 2017
- GRAP 110: Living and Non Living Resources issued March 2017
- IGRAP 20: Prior year Adjustments to Revenue

Standards as listed above will only be effective on 1 July 2020 for the municipality. Standards that have no impact on the operations and annual financial reporting of the municipality are not included.

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality as the standards will only affect the presentation and disclosure of items in the annual financial statements.

Swartland Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.2 Standards, amendments to standards and interpretations issued but not yet effective (continued)

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board or International Financial Reporting Standards. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 11 of the Standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

1.3 Consistent and new accounting policies

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, is disclosed below.

The Standard of GRAP 32: Service Concession Arrangements: Grantor and IGRAP 17: Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset, are standards and interpretations that are also effective for the first time in 2019/20. These standards were early adopted in 2018/19 and are included in the policy for Service Concession Arrangements (1.33).

GRAP 20: Related Party Disclosures, GRAP 108: Statutory Receivables, and GRAP 109: Accounting by Principals and Agents are standards that are newly effective for the year ending 30 June 2020. These standards had no significant impact on the Statement of Financial Position, Statement of Financial Performance or Cash Flow Statement of the municipality as the standards only affected the presentation and disclosure of items in the annual financial statements. The transitional provisions of GRAP 108: Statutory Receivables were utilised.

IGRAP 18: Recognition and Derecognition of Land is an interpretation which provides guidance in terms of the timing when land (and other assets such as buildings) should be recognised or derecognised. IGRAP 19: Liabilities to Pay Levies is an interpretation which provides guidance as to the timing when certain legislated provisions should be recognised. IGRAP 20: Accounting for Adjustments to Revenue provides guidance as to how to account for adjustments to revenue recognised in a previous period. These interpretations do not change any existing recognition or measurement principles. No specific policies were developed for these effective interpretations as the accounting principles are not amended, only clarified.

The Guideline for Accounting for Arrangements Undertaken in terms of the National Housing Programme has resulted in the revision of the accounting for housing projects. The policy covers the application of GRAP 11: Construction Contracts (refer to policy 1.18 below), Assessing Arrangements in terms of GRAP 109: Accounting by Principals and Agents (refer to policy 1.32 below) as well as the detailed application of GRAP 9 and 23 for revenue from Exchange and Non-exchange transactions. The effect of the guideline is included under the note: 52 Correction of errors as the guideline has allowed the municipality to identify that the previous accounting treatment was incorrect.

1.4 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and rounded off to the nearest Rand.

1.5 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

In assessing whether the going concern assumption is appropriate under the current economic climate resulting from the COVID-19 pandemic, management considered a wide range of factors including the current and expected performance of the municipality, the likelihood of continued government funding and, if necessary, potential sources of replacement funding.

1.6 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

Swartland Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the carrying amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. If the revision affects future periods as well, the revision will be recognised when the estimate is revised.

The municipality strives toward ethical reporting thus transparent yet concise insights into the applied judgements and financial uncertainties, which the municipality faces as a result of the COVID-19 pandemic. The assessed impact of the lockdown on the current year has been included in Note 68 to the financial statements.

The following are the critical judgements, apart from those involving estimations, that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

Revenue recognition

The Accounting Policy 1.23 on Revenue from Exchange Transactions and Accounting Policy 1.24 on Revenue from Non-exchange Transactions describe the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (Revenue from Exchange Transactions) and GRAP 23 (Revenue from Non-exchange Transactions). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered or not. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Construction contracts are specifically excluded from the scope of GRAP 9: Revenue from Exchange Transactions. However since the nature of the construction contract revenue meets the definition of an "exchange transaction", the line item is disclosed under this header for presentation and disclosure purposes in the Statement of Financial Performance.

Financial assets and liabilities and statutory receivables

The classification of Financial Assets and Liabilities as well as Statutory Receivables require judgement. The accounting policy 1.15 on Financial Instruments: Classification as well as the accounting policy 1.16 on Statutory Receivables: Definitions describes the factors considered in applying management's judgement.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments and GRAP 108: Statutory Receivables.

A detailed assessment was done in order to determine whether grant related items: Unspent Grants and Construction Contracts, should be classified as a Financial Instrument or not. Specifically, the GRAP FAQ for Statutory Receivables was used whilst being cognisant of the requirements of both AG.29 and AG.29A of GRAP 104. After careful consideration of the specific facts applicable, the requirements of the FAQ were found to reflect the best version of events for Swartland Municipality. The facts and circumstances for municipalities may differ, resulting in different conclusions as to whether unspent grants and construction contracts should be considered a financial instrument. For Swartland Municipality, the majority of revenue is recognised based on the terms agreed rather than the underlying legislation which supports the grant. The majority of grant related funds are firstly based on a contract/arrangement falling within GRAP 104 and in these arrangements reference would be made to the relevant legislated requirements.

The dire economic outlook due to the lockdown as a measure to prevent the spread of the COVID 19 resulted in conditions under which management needed to relook at our methodology in order to calculate the provision for impairment losses. The previous methodology comprised identifying individual debtors that required impairment where after debtors would be impaired based on groupings as appropriate. In the current year, all debtors were individually assessed as a significant variability exists between households in terms of their resilience to the economic decline. The change in methodology was accounted for as a change in estimate (See Note 55).

Swartland Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty (continued)

Impairment of Financial Assets

The accounting policy on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. Management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

Impairment of Trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of Receivables from Exchange Transactions and that of Receivables from Non-exchange Transactions are disclosed in Notes 3 and 4 to the Annual Financial Statements.

Impairment of Statutory receivables

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such a receivable. Debtors are grouped into appropriate aggregated grouping levels when insufficient information is available to assess individual debtors. Aggregation is based on best practice and receivables are assessed on historic information available. Thereafter the past due, but not impaired debtors are subjected to a further impairment test taking into account the effect of time resulting in a discounting of debtors being included as a further factor for impairment of statutory receivables. Outstanding receivables that are past due are charged interest at prime +1% in terms of the municipal by-laws. This is considered the appropriate discount rate as it is market based. Only those receivables that are not subject to an interest charge would be assessed in terms of discounting as those that are subject to an interest charge would accumulate interest at the same rate as the discount rate.

Significant movements on impairments are defined as those movements that exceeds 10% of the gross balance of the relevant statutory receivable type at year end or R100 000, whichever is the greatest. Qualitative factors are considered with reference to exceptions to the normal process for identification of impairment losses. This implies disclosing losses incurred due to circumstances that are unique to the specified period or unique to the municipality in comparison to other municipalities with a similar capacity.

Swartland Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty (continued)

Impairment and useful lives: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories

As described in the accounting policies 1.9, 1.10, 1.11, 1.12 and 1.17 for these asset types the municipality depreciates / amortises its property, plant and equipment, intangible assets and investment property over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

The accounting policies 1.13 and 1.14 on Impairment of assets and accounting policy 1.17 on Inventory - Subsequent measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing and write down of Inventories to Net Realisable Values (NRV). Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lower of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable service amount for Property, plant and equipment, intangible assets and the NRV for inventories involves significant judgment by management.

Estimated impairments during the year to Inventory, Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets are disclosed in Notes 6, 11, 12, 13 and 14 to the Annual Financial Statements, as applicable.

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 6 to the Annual Financial Statements.

Defined Benefit Plan Liabilities

As described in the accounting policy on Employee Benefits (1.20), the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 17 to the Annual Financial Statements.

Swartland Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes 20 and 49. Accounting policies pertaining to contingent assets and liabilities are disclosed under policies 1.21 and 1.36.

Staff leave and bonuses

The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the accrual of a guaranteed 13th cheque benefit only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made. The estimation is based on the current expected cost at the time of meeting the recognition criteria.

Leave and the guaranteed 13th cheque liabilities are estimates. However the nature of the balance is an accrual of unused benefits arising from past service and therefore this is classified as a payable from exchange transaction (excluded from the financial instruments).

Provisions and Environmental Rehabilitation

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy (1.21), taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance. Changes in market values are capitalised while the unwinding of interest is recognised as a Finance Charges in the Statement of Financial Performance.

1.8 Net assets

Included in the net assets of the municipality, are the following statutory funds and reserves, apart from the Accumulated Surplus, that are maintained in terms of specific requirements:

Statutory Fund: Housing (HDF)

Sections 15(5) and 16 of the Housing Act (Act No107 of 1997), which came into operation on 1 April 1998, required that the municipality maintains a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act. Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to this Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were transferred to this Fund. In terms of the Housing Act all proceeds from housing developments, which include rental income and sales of houses, must be paid into this Fund. Funds available in this Fund can only be utilised to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The HDF is backed by cash, receivables and assets. The cash funds in the HDF are invested in accordance with the Investment Policy of the municipality.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.

Swartland Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.8 Net assets (continued)

Reserve: Capital Replacement (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers. The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR.

1.9 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequently all property plant and equipment, including Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Repairs and Maintenance

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 46).

Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Swartland Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Property, plant and equipment (continued)

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year-end:

Depreciation only commences when the asset is available for use, unless stated otherwise.

Item	Depreciation method	Average useful life
Buildings	Straight line	5 - 50 years
Community	Straight line	10 - 60 years
Infrastructure		
Roads and paving	Straight line	10 - 100 years
Storm water	Straight line	50 years
Electricity	Straight line	10 - 50 years
Water	Straight line	10 - 100 years
Sewerage	Straight line	10 - 100 years
Landfill sites	Straight line	10 - 50 years
Movables assets		
Specialist vehicles	Straight line	5 - 20 years
Vehicles	Straight line	5 - 10 years
Office equipment	Straight line	3 - 10 years
Furniture and fittings	Straight line	5 - 20 years
Machinery and equipment	Straight line	5 - 15 years
Bins and containers	Straight line	30 years
Specialised vehicles	Straight line	20 years

The assets' residual values, estimated useful lives and depreciation methods are reviewed annually for indicators that these factors may have changed and adjusted prospectively, if appropriate, at each reporting date. The useful lives shall be deemed to be appropriate unless an event has occurred or conditions of use have changed, which may have an effect on the remaining useful lives of these assets.

Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use. The municipality assesses at each reporting date if there is an indication of impairment.

Leased assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as similar items of Property, Plant and Equipment controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

Infrastructure Assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

If cost can however not be established, then infrastructure assets will be initially measured and recognised at depreciated replacement cost. Depreciated replacement cost is an accepted fair value calculation for assets where there is no active and liquid market. Depreciation shall be charged against such assets over their expected useful lives. The remaining useful life and residual value applied to Infrastructure assets shall be reviewed on an indication base.

Accounting Policies

1.9 Property, plant and equipment (continued)

Land

Land is not depreciated. The municipality assesses at each reporting date if there is an indication of impairment.

Land is recognised and derecognised based on evidence of control. Control over land is evidenced by legal ownership and/or the ability to direct access to the land and to restrict or deny the access of others to land.

In assessing the control criteria, any binding arrangements over properties will be considered. Binding agreements can be in written form, a verbal agreement or the result of best practice.

The loss of control will result in the derecognition of the property, despite legal title, while assets over which the municipality does not hold the legal title may be recognised as an asset if control over the property has been established.

Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. Disposals can be voluntary or involuntary of nature.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposal are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

1.10 Investment property

Initial recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality);
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties;
- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- A property owned by the municipality and leased out at a below market rental; and
- Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

Swartland Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.10 Investment property (continued)

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment or Inventory as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held by council for strategic purposes or to meet service delivery objectives rather than to earn rental or for capital appreciation; and
- Where council has properties that are used both for administrative and commercial purposes and part of the properties cannot be sold separately these properties will not be classified as investment properties.

Repairs and maintenance

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note 46).

Subsequent measurement - Cost model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated. The municipality assesses at each reporting date if there is an indication of impairment.

The assets' residual values, estimated useful lives and depreciation methods are reviewed annually for indicators that these factors may have changed and adjusted prospectively, if appropriate, at each reporting date. The useful lives shall be deemed to be appropriate unless an event has occurred or conditions of use have changed, which may have an effect on the remaining useful lives of these assets.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Derecognition

An Investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

1.11 Intangible assets

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- management intends to complete and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the asset during its development can be measured reliably.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

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Accounting Policies

1.11 Intangible assets (continued)

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance

The municipality separately discloses expenditure to repair and maintain intangible assets in the notes to the financial statements (see note 46).

Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives.

Amortisation is charged on a straight-line basis over the intangible assets' useful lives. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

Item	Depreciation method	Average useful life
Computer software / software licences	Straight line	5 - 10 years

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified, except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

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Accounting Policies

1.12 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assesses at each reporting date if there is an indication of impairment.

Initial measurement

Heritage assets are carried at cost less accumulated impairment losses.

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

The cost of an item of heritage assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Repairs and maintenance

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 46).

Subsequent measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

After recognition as an asset, a class of heritage assets is measured at cost less any accumulated impairment losses. Heritage assets are not depreciated.

Derecognition

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of assets.

1.13 Impairment of cash-generating assets

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash generating assets.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

1.14 Impairment of non-cash-generating assets

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

Physical damage would trigger an impairment test when it results in a permanent or significant decline in the service potential of the asset. Judgement is needed to determine whether the decline is permanent or significant. In certain circumstances evidence may be available to demonstrate that the impairment will be temporary. In such circumstances, no impairment loss will be recognised.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss. The recoverable amount is assessed by either the Depreciated Replacement Cost, Restoration Cost and Service units approach. The selection of the approach is based on the circumstances as per management judgement of each impairment indicator of each asset.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.15 Financial instruments

The municipality has various types of Financial Instruments and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or collectability.

Fair value method and assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices; and
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Swartland Municipality

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Accounting Policies

1.15 Financial instruments (continued)

Classification

A Financial Asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets and Financial Liabilities of the municipality are classified as follows into the three categories allowed by this standard:

- *Financial assets (or financial liabilities) at amortised cost* are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. Financial assets (or financial liabilities) at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument. After initial recognition financial assets are measured at amortised cost, using the effective interest rate method less an allowance for impairment.
- *Financial assets (or financial liabilities) at fair value* are financial instruments that meet either of the following conditions:
 - derivatives;
 - combined instruments that are designated at fair value;
 - instruments held for trading;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.
- *Financial assets (or financial liabilities) at cost* are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Included under the major classes of financial instruments below, are line items that are separately disclosed in the notes that do not meet the definition of a financial instrument (such as Prepaid expenses, Payments made in advance etc.). The balances are clearly identifiable by the naming of the line items. Such items are excluded from the balances disclose in Notes 57 and 58. In rare instances, aggregation within a line item of a note might contain both financial instruments and balances that do not meet the definition of a financial instrument. In these cases the individual line items would be assessed with reference to its significance. Where insignificant, non-financial instruments would be included in the aggregated line items that would normally meet the definition of a financial instrument. this disclosure aggregation was specifically selected to ensure comprehensive classification.

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Class	Category
Cash and cash equivalents (*)	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Finance lease receivables	Financial asset measured at amortised cost

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks. Cash equivalents are both short-term highly liquid investments, readily convertible into known amounts of cash, and fixed term deposits that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash with banks and call deposits held with banks.

In accordance with GRAP 104 the Financial Assets of the municipality are all classified as financial assets at amortised cost, (*) except for cash floats and petty cash, which are classified as financial assets at fair value.

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- Financial Liabilities measured at Fair Value;
- Financial Liabilities measured at Amortised Cost; or
- Financial Liabilities measured at Cost.

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Swartland Municipality

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Accounting Policies

1.15 Financial instruments (continued)

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at fair value
Unspent conditional grants and receipts	Financial liability measured at amortised cost

In accordance with GRAP 104 the Financial Liabilities of the municipality are all classified as financial liabilities at amortised cost, except for Consumer deposits, which are classified as financial liabilities at fair value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Initial and subsequent measurement

Financial Assets

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an Effective Yield Basis.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables) and Loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial Assets at Amortised Cost.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

Financial Liabilities

Financial Liabilities measured at fair value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the Accrual Basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Swartland Municipality

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Accounting Policies

1.15 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

Impairment and uncollectibility of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

An allowance for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Initially receivables from exchange and non-exchange transactions are valued at fair value and subsequently carried at amortised cost using the effective interest rate method, less an allowance for impairment. The allowance is made in accordance with GRAP 104, whereby the recoverability of receivables is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. Government accounts are not provided for as such accounts are regarded as receivable. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at year-end. Amounts are written off in the year during which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

Annual impairment testing is conducted on all Receivable balances. The effects of the annual impairment testing are accounted for against the Provision for Bad Debts Allowance. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance against the Reversal of Impairment Loss/(Impairment Loss) on Receivables. Accounts identified and written-off during the year is recognised against Bad Debts Written Off in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

Financial assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets and financial liabilities are only offset when the municipality has a legally enforceable right to do so and expects to settle or recover the instruments on a net basis.

Swartland Municipality

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Accounting Policies

1.15 Financial instruments (continued)

Financial liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1.16 Statutory receivables

Definitions and measurement principles

Statutory Receivables are those receivables that arise from legislation as opposed to contractual deliverables. Receivables that arise due to contractual arrangements are accounted for in terms of the accounting policy on Financial Instruments (1.15).

Statutory receivables are classified and recognised as exchange or non-exchange in accordance with the relevant standards on Revenue and essentially based on whether there is a supply of goods and services in exchange for economic benefits of similar value.

Initial Measurement

Statutory receivables are measured at their transaction amount in accordance with the relevant standards on revenue based on the classification between exchange and non-exchange (refer accounting policies 1.23&1.24 respectively).

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Subsequent measurement

Statutory Receivables are measured at cost, plus nominally accrued interest, less any impairment recognised.

Interest is calculated using the nominal interest rate as stipulated in legislation and municipal by-laws.

Impairment losses

Impairment is assessed on an annual basis based on objective evidence regarding expected recoverability.

Consumers are assessed based on groupings, risk profiles and payment history profiles.

Governmental debtors are not impaired unless there is evidence that such debtor is under significant financial difficulty such as business rescue or similar legal recourse indicating that the receivable is partially or completely irrecoverable.

The age of receivables is also considered as an indicator for impairment in terms of the materiality of the timing of cash flows using the risk-free interest rate to discount debtors.

If there is an indication that a statutory receivable may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable shall be reduced directly or through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

Significant movements on impairments are defined as those movements that exceeds 10% of the gross balance of the relevant statutory receivable type at year end or R100 000, whichever is the greatest. Qualitative factors are considered with reference to exceptions to the normal process for identification of impairment losses. This implies disclosing losses incurred due to circumstances that are unique to the specified period or unique to the municipality in comparison to other municipalities with a similar capacity.

Swartland Municipality

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Accounting Policies

1.16 Statutory receivables (continued)

Derecognition

Statutory receivables are derecognised when the asset is extinguished, settled or through transferring of all significant risks and rewards to a third party.

Extinguishing the asset would usually be in terms of legislation or other similar means.

De-recognition also occurs where despite having retained some significant risks and rewards of ownership of the receivable, control of the receivable is transferred to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

The difference between the consideration received and amount derecognised shall be recognised in the surplus or deficit of the period of transfer.

Transitional provisions

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and impairment methods for Statutory Receivables.

The transitional period commences from 1 June 2019 and will be utilised until the period ending 30 June 2022.

1.17 Inventories

Inventories comprise of current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Subsequent measurement

Consumable stores, raw materials, work-in-progress

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge or for consumption in the production process of goods to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are therefore valued at purified cost insofar as it is stored and controlled in reservoirs at year-end.

Swartland Municipality

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Accounting Policies

1.17 Inventories (continued)

Water inventory is being measured by multiplying the cost per kilolitre of purified water by the amount of water in storage.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis.

Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Other arrangements

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.18 Construction contracts and receivables/(payables)

Construction contracts are those contracts entered between the municipality and a customer (or third party) whereby the municipality delivers a constructed asset in terms of an agreement with such party. The construction can be done by the municipality or through the use of a sub-contractor. The benefit of the constructed item (or group of items) must be received by such party and not the municipality.

Revenue from such contracts shall comprise the agreed value in terms of the contract plus any agreed variations to such contract on the conditions that these variations will result in an inflow of economic resources that can be measured reliably (refer accounting policy 1.23).

Contract costs are costs that directly relate to the contract as well as costs that are attributable to the execution of the construction work and any additional costs as agreed between the municipality and the party obtaining the final goods. Attributable costs are only assigned to the contract costs if these can be assigned on a systematic and rational basis.

All of these contracts of the municipality are fixed price contracts. Revenue and costs are therefore recognised with reference to the stage of completion provided that the conditions for contract revenue and contract costs are met and the stage of contract completion can be measured.

In exceptional cases, if any, for a cost plus or cost based contract, the outcome of a construction contract can be estimated reliably when it is probable that the economic benefits or service potential associated with the contract will flow to the entity and the contract costs can be clearly identified and measured reliably.

An expected deficit on a construction contract shall be recognised as an expense immediately based on the stage of completion. Future losses are only accounted for when these losses are incurred in terms of the stage of completion. This implies that only the proportional loss of a contract would be recognised based on the percentage of completion.

As the percentage or stage of completion is an estimate at year-end, any subsequent changes to the estimate would be accounted for as a change in estimate in terms of the relevant municipal accounting policy.

Classification of Transactions

Various transactions arise from the Housing Arrangements. Some fall within the ambit of GRAP 11: Construction Contracts, others with GRAP 9: Revenue from Exchange Transactions, GRAP 23: Revenue from Non-exchange Transactions and GRAP 109: Principal Agent Arrangements. The information below briefly outlines how transactions are recognised:

- Expenditure pertaining to the planning and civil services of a project is considered to be Grants and subsidies in terms of GRAP 23: Revenue from Non-exchange transactions
- Expenditure on the stand (also known as top structure expenditure) include the physical building, NHRBC fees and other expenses that are directly related to construction of houses that will be transferred to the beneficiary is accounted for as construction contract revenue and construction of low cost housing (contracted service expenses).

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Accounting Policies

1.18 Construction contracts and receivables/(payables) (continued)

- Receipts directly attributable to the administration of beneficiaries are accounted for under Operational Revenue as Housing services rendered in terms of GRAP 9: Revenue from Exchange Transactions.
- Receipts that are received to register the title deed in the name of the beneficiary are regarded as receipts and payments on behalf of the beneficiaries in terms of GRAP 109: Principal Agent Arrangements.
- Land parcels purchased by means of receipts from the Provincial Department are assessed in terms of IGRAP 18: Recognition and Derecognition of Land. The portions of the expenditure that will remain under the control of the municipality is capitalised as Property, Plant and Equipment when the future use is determinable. When such future use cannot be determined, such land will be accounted for as Investment Property based on the municipal policy pertaining to such land. The portion of land expenditure that will be transferred to the beneficiaries are expensed once the contract is signed. The expense and receipts pertaining to land transactions are included under Loss on sale of Property, Plant and Equipment and Gains on Sale of Land respectively.

1.19 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

The net amount of VAT recoverable from, or payable to SARS is included as part of receivables or payables in the Statement of Financial Position.

1.20 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay and for the 13th Cas an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Long Service Awards

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service) is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

Post-retirement benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

Swartland Municipality

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Accounting Policies

1.20 Employee benefits (continued)

Defined Contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined Benefit plans

A defined benefit plan is a post- employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

1.21 Provisions

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Swartland Municipality

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Accounting Policies

1.21 Provisions (continued)

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

When the outflow of economic benefits or service potential is no longer probable the provision will be derecognised.

1.22 Leases

The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, finance leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment, using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The leased asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as revenue and the contractual payments received are recognised as an operating lease asset or liability.

Determining whether an Arrangement contains a Lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset.

Swartland Municipality

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Accounting Policies

1.22 Leases (continued)

At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

1.23 Revenue from exchange transactions

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month or a property is vacant.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly in arrears.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Swartland Municipality

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Accounting Policies

1.23 Revenue from exchange transactions (continued)

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. In respect of consumption between the last point of sale and the reporting date, an accrual is made based on the average daily consumption (for the period 1 July to 30 June) of consumers as per an internal system estimation report.

Finance income

Interest earned on investments is recognised in the Statement of Financial Performance when the interest is received.

Tariff Charges

Revenue arising from the application of the approved tariff policy is recognised when the relevant service is rendered by applying the relevant authorised tariff.

Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of the principal has been quantified. The income recognised is in terms of the agency agreement.

Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Sale of goods (including houses)

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising from the use by others of municipal assets yielding interest and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Construction contract revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is recognised and measured in terms of GRAP 11: Construction Contracts rather than GRAP 9: Revenue from Exchange Transactions.

Swartland Municipality

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Accounting Policies

1.24 Revenue from non-exchange transactions

An inflow of resources from a non-exchange transaction that meets the definition of an asset, is recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability is recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Debt forgiveness

All unclaimed deposits are initially recognised as a liability until 36 months expires, where after all unclaimed deposits, which were deposited into the Municipality's bank account, will be treated as revenue. This policy is in line with prescribed debt principle as enforced by the Prescribed Debt Act. Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

Swartland Municipality

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Accounting Policies

1.24 Revenue from non-exchange transactions (continued)

Services in-kind

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period. No services in-kind were noted that is significant to the operations of the municipality.

1.25 Government grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transfer or, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transfer or has never been enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue. Often these unspent grant liabilities are cash backed.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are available for use.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the grantor it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.26 Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

1.27 Grants and subsidies paid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given raise to the transfer occurred.

1.28 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted or is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

The definition of "vote" for Swartland Municipality is set at the Functional area within the respective department.

Where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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Accounting Policies

1.29 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred and is classified in accordance with the nature of the expense. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

Where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 Material losses

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply with the legislative requirements governing Municipalities and Municipal Entities. Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the Weighted Average Method as defined by GRAP 12 (Inventories).

1.32 Accounting by principals and agents

A principal-agent arrangement exists where there is a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

The municipality can be either the agent or the principal in terms of the circumstances of the arrangement.

Where the municipality is considered the principal, all revenues, expenses, liabilities and assets are recorded in the records of municipality in accordance with the relevant standards of GRAP.

Where the municipality is the agent to the transaction, only the portion of revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP 104: Financial Instruments.

Identification

Special consideration is given to the classification of an agreement (once the standard is triggered) to carefully consider whether the municipality is an agent. The considerations include (all of) the following:

- Who determines significant terms
- Who receives the benefit from the transactions
- Is the municipality exposed to the variability of the outcome

If these are not met, but the standard is applicable, the municipality would be regarded as the principal in the transaction.

Swartland Municipality

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Accounting Policies

1.32 Accounting by principals and agents (continued)

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement. Substance over form is applied. Therefore the exact wording over contracts where the terms agent or acting on behalf are used are considered, but only to the extent that rights and obligations are substantially transferred. Where rights and obligations are not transferred, the transaction is considered a normal supplier/customer relationship and accounted for as such.

Administrative rights, such as those resulting from a collection agency agreement are not considered sufficient grounds for a principal agent relationship. The agent or principal arrangement needs to confer rights and obligations that give the counter party the ability to execute transactions as if it is acting on the other party's behalf. A collection agency only collects revenue and pays such revenue over to the municipality. It has no authority to deviate or alter on any significant terms and therefore is not considered an agent per the definition of the standard.

1.33 Service concession arrangements

Identification

Service concession arrangements of the municipality include the provision of mandated functions on behalf of the municipality by the operator for a specified period of time, for which the operator is compensated for its services over the period of the service concession arrangement.

Initial recognition and measurement

Service concession assets are measured initially at fair value except where the assets are existing assets of the municipality in which case the assets are reclassified at their carrying amounts. Service concession assets will be identified separately.

The service concession liability is recognised and initially measured at:

- the same amount as the service concession asset,
- adjusted by the amount of any other consideration (e.g., cash) from the municipality to the operator, or from the operator to the municipality.

Subsequent measurement and derecognition

The municipality initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the municipality, the asset is measured at its fair value.

After initial recognition, the municipality applies the measurement (including impairment) and derecognition principles to the service concession asset applicable to similar items of Property, Plant and Equipment, Intangible Assets or Heritage Assets.

The municipality accounts for the liability as a financial liability when the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset.

The municipality allocates the payments to the operator and account for them according to their substance as a reduction in the service concession liability, a finance charge, and charges for services provided by the operator.

Other liabilities, contingent liabilities, contingent assets and revenues

The municipality accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

The municipality accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the principles of Revenue from exchange transactions.

Dividing the arrangement

When the municipality pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

Swartland Municipality

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Accounting Policies

1.33 Service concession arrangements (continued)

Refer to note 66 for the disclosure of the service concession arrangement assets, liabilities, revenue and expenditure.

Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

Where the municipality controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the municipality recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement. The value of the receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

1.34 Related parties

A related party is a person or an entity with the ability to control or jointly control the municipality, or exercise significant influence over the municipality, or vice versa, or an entity that is subject to common control.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

An entity is related to the reporting entity where they are members of the same economic entity or controlled by the same group of individuals or related individuals who exercise significant influence over their operational and financial decision making (such as group, associate or Joint venture).

Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager and persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality such as:

- A person married to or live together in a relationship similar to a marriage.
- People who are separated by no more than two degrees of natural or legal consanguinity or affinity.

1.35 Events after reporting date

Events after the reporting date that are classified as adjusting events are accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date are disclosed in the notes to the Annual Financial Statements.

When events provide evidence of conditions that existed at year end and these conditions have an impact on the values presented, the event is considered an adjusting event. All other events are considered non-adjusting events.

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Accounting Policies

1.36 Contingent assets, contingent liabilities and commitments

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the Annual Financial Statements.

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality.

Commitments are future expenditure to which the municipality has committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Lease commitments as defined per GRAP 13: Leases are disclosed in note 9. Operating commitments are not disclosed as the municipal annual budget is available on the municipal website.

Commitments are disclosed for:

- Items are classified as capital commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources;
- Approved and contracted capital commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP; and
- Contracts to purchase, construct or develop assets or for repairs, maintenance or enhancements to assets, that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the Notes to the Annual Financial Statements;

1.37 Treatment of administrative overheads

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

1.38 Comparative information

Prior year comparatives:

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

With the adoption of mSCOA the municipality reclassified certain balances in order to comply with the instruction notes issued. The result of the reclassification is set out below and in the relevant Notes to the Annual Financial Statements.

Current year comparatives:

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

Swartland Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

Budget Information:

The annual budget figures have been prepared in accordance with GRAP 24 and are consistent with the Accounting Policies adopted by Council for the preparation of these Annual Financial Statements.

Budgeted amounts are scheduled as additional budget columns in the financial statements and explanatory comments are provided in the Statement of Comparison of Budget and Actual Amounts to the annual financial statements, giving motivations for overspending on line items.

The annual budget figures included in the financial statements are for Swartland Municipality and do not include budget information relating to any other entities. These figures are those approved by Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2019 to 30 June 2020.

Explanatory comments are provided for overall growth or decline in the budget and motivations for over or under spending on line items. The municipality considers a variance between the actual and budget of more than 10% of the budgeted value as material, provided that such variance exceeds R100 000. All variances less than R100 000 is considered immaterial.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts. This is based on paragraph 2 and 30 of GRAP 24. The classification of some items is however different (for example service consumers and other debtors compare to Receivables from Exchange and Non-Exchange).

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2. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash advances	19 265	21 431
Bank balances	630 346 632	525 303 999
	630 365 897	525 325 430

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings. The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
Standard Bank of South Africa	616 685 973	522 252 587	454 160 508	630 346 632	525 303 999	460 781 903
Limited: Account Number						
372865100						
OTM Account Number	-	1 700		-	-	-
372865119						
TMT Fines Account Number	(120)			-	-	-
372865127						
Total	616 685 853	522 254 287	454 160 508	630 346 632	525 303 999	460 781 903

The municipality also have the following bank accounts with Standard Bank South Africa Limited which had a zero balance at year end except as indicated below. All accounts balances are cleared to the main account on a daily basis except on weekends.

- 1) OTM Account Number 372865119 (Refer accounts above)
- 2) TMT Fines Account Number 372865127 (Refer accounts above)
- 3) Web Fines Account Number 372865135
- 4) Sundries Account Number 372865143
- 5) ACB Account Number 372865151
- 6) Municipal Traffic Account Number 372865178

For the purposes of the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments.

Call investment deposits are investments with a maturity period of less than 3 months which earn interest at a rate varying from 7.25 % per annum.

No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period.

Deposits of R 199 505 121 (2019: R 191 815 807) are attributable to the capital replacement reserve (Refer to Note 22).

Swartland Municipality

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3. Receivables from exchange transactions

Electricity	39 384 939	36 317 973
Water	15 583 772	11 902 991
Sewerage	5 766 571	5 688 232
Refuse Removal	4 669 777	4 905 819
Housing rentals / instalments	67 377	50 119
Other	18 309 333	12 062 936
	83 781 769	70 928 070

Receivables from exchange transactions can be summarised as follows:

30 June 2020	Gross Balances	Collective Allowance for Impairment	Net Balances
Service Receivables			
Electricity	43 459 993	(4 075 054)	39 384 939
Water	27 633 016	(12 049 244)	15 583 772
Sewerage	22 306 177	(16 539 606)	5 766 571
Refuse Removal	15 161 724	(10 491 947)	4 669 777
Subtotal	108 560 910	(43 155 851)	65 405 059
Other Receivables			
Housing rentals / instalments	71 421	(4 044)	67 377
Other	18 934 333	(625 000)	18 309 333
	127 566 664	(43 784 895)	83 781 769

30 June 2019	Gross Balances	Collective Allowance for Impairment	Net Balances
Service Receivables			
Electricity	38 953 867	(2 635 894)	36 317 973
Water	17 489 928	(5 586 937)	11 902 991
Sewerage	13 376 552	(7 688 320)	5 688 232
Refuse Removal	9 576 058	(4 670 239)	4 905 819
Subtotal	79 396 405	(20 581 390)	58 815 015
Other Receivables			
Housing rentals / instalments	54 764	(4 645)	50 119
Other	12 232 079	(169 143)	12 062 936
	91 683 248	(20 755 178)	70 928 070

Receivables from Exchange Transactions are billed monthly, at the end of the month.

The average credit period for receivables from exchange transactions is 30 days. No interest is charged on receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus 1 % per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of receivables from exchange transactions.

Other Receivables include outstanding debtors for various other services, e.g. Chemical Oxygen Demand, Treated Waste Water, Bulk Dumping and Sundry Services like Escorting of heavy vehicles, Advertisement costs, Cleaning of stands, etc.

Of the Receivables balance at the end of the year, R 2 659 053 (2019: R 2 457 895) is due from Sasko (Pty) Ltd, the municipality's largest customer. There are no other receivables that represent more than 5% of the total balance of Receivables.

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3. Receivables from exchange transactions (continued)

The municipality receives applications for services that it provides. Deposits are required for all electricity and water accounts opened.

Management of the municipality is of the opinion that the carrying value of receivables approximate their amortised values.

No receivables from exchange transactions were pledged as security.

Credit quality of trade and other receivables

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed to historical information about counterparty default rates. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 1 month past due are not considered to be impaired. At 30 June 2020, R 13 268 142 (2019: R 13 502 841) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

31 - 60 Days	5 440 081	5 899 717
61 - 90 Days	2 178 951	816 312
91 - 120 Days	1 957 039	669 955
121 - 150 Days	1 367 039	734 285
151 - 180 Days	879 329	666 195
181 - 365 Days	353 882	3 053 484
+ 1 Year	1 091 821	1 662 893
	13 268 142	13 502 841

Reconciliation of changes in Allowance Account

Opening balance	20 755 178	4 066 001
Electricity	1 439 160	1 357 299
Refuse removal	5 821 708	3 980 719
Sewerage	8 851 286	7 048 686
Water	6 462 307	4 344 088
Housing	(602)	1 005
Other Debtors	455 858	(42 620)
	43 784 895	20 755 178

Reconciliation of bad debts written- off: Exchange Transactions

Electricity	97 008	54 819
Refuse Removal	225 410	256 661
Sewerage	229 699	306 127
Water	2 547 813	2 342 835
Housing	12 419	6 905
Other Debtors	217 849	149 305
	3 330 198	3 116 652

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3. Receivables from exchange transactions (continued)

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

The details of the ageing of receivables are disclosed in Note 5.

Derecognition of financial assets

No Financial Assets have been transferred to other parties during the year.

All Exchange receivables were reviewed and no terms were identified whereby receivable types would meet the definitions of a statutory instrument as defined by this standard.

Most levies charged are based on the municipal tariff by-laws. The origin of the transactions is based on contractual deliverables rather than legislation. The legislation in place therefore supports the value of recognition rather than giving rise to the occurrence of these transactions.

4. Receivables from non-exchange transactions

Payments made in advance	2 156 976	1 752 321
Property Rates	16 624 766	12 999 446
Sundry debtors	379 190	3 782 747
Traffic fines - TMT	6 725 917	9 016 723
	25 886 849	27 551 237

30 June 2020

	Gross Balances	Collective Allowance for Impairment	Net Balances
Payments made in advance	2 156 976	-	2 156 976
Property Rates	20 851 332	(4 226 566)	16 624 766
Sundry Debtors	379 190	-	379 190
Traffic Fines	32 119 947	(25 394 030)	6 725 917
	55 507 445	(29 620 596)	25 886 849

30 June 2019

	Gross Balances	Collective Allowance for Impairment	Total
Payments made in advance	1 752 321	-	1 752 321
Property Rates	15 779 006	(2 779 560)	12 999 446
Sundry Debtors	3 789 690	(6 943)	3 782 747
Traffic Fines	38 611 073	(29 594 350)	9 016 723
	59 932 090	(32 380 853)	27 551 237

Sundry Debtors include sundry deposits, unclaimed wages, accruals cash deposits made to Eskom for the supply of electricity and debits outstanding at year-end on normal business transactions entered into by the municipality, in respect of uncleared bank reconciliation items.

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Property Rates	16 624 766	12 999 446
Sundry debtors	379 190	3 782 747
Traffic Fines - TMT	6 725 917	9 016 723
	23 729 873	25 798 916

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4. Receivables from non-exchange transactions (continued)

Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:
Payments made in advance (right to receive goods or services rather than cash)

Total receivables from non-exchange transactions	25 886 849	27 551 237
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Statutory receivables general information

Receivable type	Revenue type	Legislation that give rise to the transactions	Rates and interest charges	Impairment considerations
Property Rates	Non-exchange	Municipal Property Rates Act 6 of 2004	Municipal Tariff Policy, Interest Charged	Individual collection rates, interest charged at discount rate
Traffic Fines	Non-exchange	Administrative Adjudication of Road Traffic Offences Act, 1998	The Act determines rates, no interest is charge	Collection rate of the balance as a whole, thereafter discounting is considered in terms of materiality
Sundry Debtors	Exchange	Various different acts (aggregate amounts)	Municipal Tariff Policy, Interest Charged	Individual collection rates, interest charged at discount rate
VAT Receivables	Not applicable	Value Added Tax Act 89 of 1991	The Act determines rates and interest is charge	No impairment, balance expected to be fully recoverable

Interest or other charges levied/charged

Interest was only charged on outstanding rates accounts. All other statutory receivables were within normal credit terms and therefore no other receivables generated interest income. No other levies were charged.

Discount rate applied to the estimated future cash flows

Interest is calculated using the nominal interest rate as stipulated in the municipal by-laws (Prime plus 1%). This rate is also considered an appropriate discount rate.

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4. Receivables from non-exchange transactions (continued)

Statutory receivables past due but not impaired

The ageing of Statutory Receivables is disclosed in Note 5. Statutory receivables which are not current are considered past due. At 30 June 2020, R13 037 278 (2019: R13 825 552) were past due but not impaired.

No statutory receivables are pledged as security. Guarantees and Consumer Deposits are held for consumer debtors which includes balances of Rates and other Service Receivable types (refer Receivables from Exchange Transactions). These are disclosed in note 16 Consumer Deposits.

The ageing of amounts past due but not impaired is as follows:

	2020 Past Due	2019 Past Due	2020 Impaired	2019 Impaired	2020 Past due not impaired	2019 Past due not impaired
31 - 60 Days	2 405 764	2 760 040	-	-	2 405 764	2 760 040
61 - 90 Days	4 655 009	1 554 059	-	-	4 655 009	1 554 059
91 - 120 Days	2 078 084	1 931 513	(22 832)	-	2 055 252	1 931 513
121 - 150 Days	2 827 355	2 376 654	(2 393 550)	-	433 805	2 376 654
151 - 180 Days	1 902 945	1 804 489	(1 603 450)	-	299 495	1 804 489
181 - 365 Days	6 348 507	12 144 931	(6 098 725)	(8 746 134)	249 782	3 398 797
+ 1 Year	22 440 210	23 634 719	(19 502 039)	(23 634 719)	2 938 171	-
	42 657 874	46 206 405	(29 620 596)	(32 380 853)	13 037 278	13 825 552

Factors the entity considered in assessing statutory receivables past due but not impaired

Receivables are assessed in terms of their respective overall payment percentages. Some debtors are therefore past due, but the balances are still expected to be recoverable based on the payment percentages.

Reconciliation of provision for impairment for statutory receivables

Opening balance	32 380 853	41 211 951
<i>Contributions/Reversal to Allowance</i>		
Property rates	1 447 006	1 060 159
Traffic Fines	(4 207 263)	(9 854 467)
Sundry Receivables	-	(36 790)
	29 620 596	32 380 853

Reconciliation of bad debts written-off: Non-Exchange Transactions

Rates	414 466	162 573
Traffic Fines	24 234 025	29 413 918
Sundry Receivables	-	15 577
	24 648 491	29 592 068

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4. Receivables from non-exchange transactions (continued)

Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables

Significant impairment losses recognised or reversed

Property Rates: Impairment Recognised: The national lockdown resulted in many employers and employees not being able to generate sufficient income to pay their municipal accounts for April to June 2020. Management accordingly improved the method in determining the impairment for the year resulting in a higher impairment based on the current market conditions.

Traffic Fines: Impairment Recognised: Annually the outstanding receivables are assessed in terms of the value of fines issued in comparison to the receipts generated from such fines. The remaining balance is considered recoverable based on this payment percentage. The impairment loss is similar to our expectation, but quantitatively the impairment is significant and therefore disclosed separately.

All other receivable types' impairments losses recognised or reversed were not considered significant.

The credit quality of receivables from non- exchange transactions that are neither past nor due nor impaired can be assessed to historical information about counterparty default rates. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables.

The allowance for impairment was calculated after grouping all the financial assets of similar nature and risk ratings, and by calculating the historical payment ratios for the groupings as well assuming that the future payment ratios would be similar to the historical payment ratios.

The claims instituted against the municipality's insurance company are supported by valid insurance claims that are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

The average credit period for government grants and subsidies is dependent on the Government Department involved and the nature of claim. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality per allocations made in the Division of Revenue Act or based on agreements between the municipality and the relevant departments. Government Grants and Subsidies receivable are past due and not impaired as management have no concerns over the credit quality of these assets.

The average credit period for receivables from non- exchange transactions is 30 days. No interest is charged on receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus one per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of receivables from non-exchange transactions. No receivables from non- exchange transactions were pledged as security.

The Allowance for impairment on Other Debtors (loans and receivables) exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were grouped together in the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non- exchange transactions that are neither past nor due nor impaired can be assessed to historical information about counterparty default rates. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables.

Classification of Bad Debts

	3 330 198	3 116 652
Exchange Receivables	3 330 198	3 116 652
Consumer Debtors		
Non-exchange receivables	24 648 491	29 592 068
Other	24 648 491	29 592 068
Balance at end of year	27 978 689	32 708 720

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5. Consumer debtors disclosure

Gross balances

Property Rates	20 851 332	15 779 006
Electricity	43 459 993	38 953 867
Water	27 633 016	17 489 928
Sewerage	22 306 177	13 376 552
Refuse Removal	15 161 724	9 576 058
Housing rentals / instalments	71 421	54 764
Other	18 934 333	12 232 079
Payments made in advance *	2 156 976	1 752 321
Sundry Debtors *	379 190	3 789 690
Traffic Fines - TMT *	32 119 947	38 611 073
	183 074 109	151 615 338

Less: Allowance for impairment

Property Rates	(4 226 566)	(2 779 560)
Electricity	(4 075 054)	(2 635 894)
Water	(12 049 244)	(5 586 937)
Sewerage	(16 539 606)	(7 688 320)
Refuse Removal	(10 491 947)	(4 670 239)
Housing rentals / instalments	(4 044)	(4 645)
Other	(625 000)	(169 143)
Sundry Debtors *	-	(6 943)
Traffic Fines - TMT *	(25 394 030)	(29 594 350)
	(73 405 491)	(53 136 031)

Net balance

Property Rates	16 624 766	12 999 446
Electricity	39 384 939	36 317 973
Water	15 583 772	11 902 991
Sewerage	5 766 571	5 688 232
Refuse Removal	4 669 777	4 905 819
Housing rentals / instalments	67 377	50 119
Other	18 309 333	12 062 936
Payments made in advance *	2 156 976	1 752 321
Sundry Debtors *	379 190	3 782 747
Traffic Fines - TMT *	6 725 917	9 016 723
	109 668 618	98 479 307

Rates

Current (0 -30 days)	9 430 933	7 926 970
31 - 60 days	2 017 164	1 260 490
61 - 90 days	791 809	114 359
91 - 120 days	631 660	76 313
121 - 150 days	433 805	1 214 879
151 - 180 days	299 495	167 664
181 - 365 days	249 782	1 740 631
1 - 2 years	215 327	-
2 - 3 years	182 805	-
+ 3 years	6 598 552	3 277 700
Allowance for impairment	(4 226 566)	(2 779 560)
	16 624 766	12 999 446

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5. Consumer debtors disclosure (continued)		
Electricity		
Current (0 -30 days)	35 519 028	33 850 521
31 - 60 days	2 240 095	2 605 709
61 - 90 days	548 277	54 632
91 - 120 days	312 445	42 123
121 - 150 days	127 221	61 355
151 - 180 days	83 232	26 290
181 - 365 days	57 959	346 911
1 - 2 years	154 804	33 536
2 - 3 years	69 999	12 703
+ 3 years	4 346 933	1 920 087
Allowance for impairment	(4 075 054)	(2 635 894)
	39 384 939	36 317 973
Water		
Current (0 -30 days)	11 612 889	7 294 075
31 - 60 days	1 196 526	1 548 328
61 - 90 days	703 545	383 583
91 - 120 days	898 116	339 704
121 - 150 days	708 845	310 318
151 - 180 days	466 342	390 300
181 - 365 days	341 600	1 154 159
1 - 2 years	1 465 206	598 215
2 - 3 years	1 040 271	480 053
+ 3 years	9 199 676	4 991 193
Allowance for impairment	(12 049 244)	(5 586 937)
	15 583 772	11 902 991
Sewerage		
Current (0 -30 days)	3 209 681	2 975 313
31 - 60 days	1 054 899	839 352
61 - 90 days	453 445	167 326
91 - 120 days	362 495	129 493
121 - 150 days	252 016	166 756
151 - 180 days	152 347	98 834
181 - 365 days	127 826	580 306
1 - 2 years	113 889	-
2 - 3 years	107 690	-
+ 3 years	16 471 889	8 419 172
Allowance for impairment	(16 539 606)	(7 688 320)
	5 766 571	5 688 232
Refuse Removal		
Current (0 -30 days)	2 443 408	2 242 985
31 - 60 days	781 252	650 391
61 - 90 days	373 629	139 262
91 - 120 days	309 326	115 928
121 - 150 days	223 888	153 809
151 - 180 days	138 924	95 203
181 - 365 days	121 113	758 276
1 - 2 years	696 129	255 601
2 - 3 years	396 399	322 128
+ 3 years	9 677 656	4 842 475
Allowance for impairment	(10 491 947)	(4 670 239)
	4 669 777	4 905 819

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5. Consumer debtors disclosure (continued)

Housing rentals / instalments

Current (0 -30 days)	31 143	30 384
31 - 60 days	19 691	20 162
61 - 90 days	8 811	447
91 - 120 days	6 176	422
121 - 150 days	3 246	419
151 - 180 days	643	415
181 - 365 days	218	1 738
1 - 2 years	1 493	777
Allowance for impairment	(4 044)	(4 645)
	67 377	50 119

Other Exchange Debtors

Current (0 -30 days)	17 380 805	11 031 954
31 - 60 days	147 618	235 775
61 - 90 days	91 245	71 061
91 - 120 days	68 479	42 285
121 - 150 days	53 513	41 628
151 - 180 days	38 483	55 153
181 - 365 days	49 475	212 094
1 - 2 years	253 076	93 070
2 - 3 years	186 914	151 403
+ 3 years	664 725	297 656
Allowance for impairment	(625 000)	(169 143)
	18 309 333	12 062 936

* Other Non-exchange Debtors

Current (0 -30 days)	3 384 793	5 798 715
31 - 60 days	388 600	1 499 550
61 - 90 days	3 863 200	1 439 700
91 - 120 days	1 446 424	1 855 200
121 - 150 days	2 393 550	1 161 775
151 - 180 days	1 603 450	1 636 825
181 - 365 days	6 098 725	10 404 300
1 - 2 years	15 275 473	8 733 448
2 - 3 years	-	11 479 325
+ 3 years	201 898	144 246
Allowance for impairment	(25 394 030)	(29 601 293)
	9 262 083	14 551 791

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5. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	48 132 148	53 281 027
31 - 60 days	6 628 433	6 961 653
61 - 90 days	6 388 328	2 291 081
91 - 120 days	3 746 585	2 532 961
121 - 150 days	4 051 145	3 021 633
151 - 180 days	2 631 784	2 295 287
181 - 365 days	6 886 612	14 832 656
1 - 2 years	17 957 707	9 672 236
2 - 3 years	1 893 108	12 421 994
+ 3 years	46 398 662	23 172 733
Subtotal	144 714 512	130 483 261
Less: Allowance for impairment	(72 592 502)	(50 932 653)
	72 122 010	79 550 608

Industrial/ commercial

Current (0 -30 days)	17 076 041	16 654 143
31 - 60 days	1 090 186	1 592 015
61 - 90 days	381 918	70 903
91 - 120 days	228 977	61 319
121 - 150 days	116 300	79 499
151 - 180 days	128 925	169 287
181 - 365 days	138 501	118 190
1 - 2 years	197 066	42 384
2 - 3 years	76 304	22 875
+ 3 years	540 741	378 551
Subtotal	19 974 959	19 189 166
Less: Allowance for impairment	(812 990)	(2 203 378)
	19 161 969	16 985 788

National and provincial government

Current (0 -30 days)	17 804 494	1 215 745
31 - 60 days	127 226	106 090
61 - 90 days	63 713	8 387
91 - 120 days	59 560	7 189
121 - 150 days	28 639	9 807
151 - 180 days	22 207	6 110
181 - 365 days	21 585	247 570
1 - 2 years	20 622	28
2 - 3 years	14 664	742
+ 3 years	221 927	341 243
	18 384 637	1 942 911

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5. Consumer debtors disclosure (continued)

Total

Current (0 -30 days)	83 012 682	71 150 915
31 - 60 days	7 845 846	8 659 757
61 - 90 days	6 833 960	2 370 371
91 - 120 days	4 035 122	2 601 468
121 - 150 days	4 196 084	3 110 939
151 - 180 days	2 782 917	2 470 685
181 - 365 days	7 046 698	15 198 416
1 - 2 years	18 175 395	9 714 648
2 - 3 years	1 984 076	12 445 612
+ 3 years	47 161 329	23 892 527
Subtotal	183 074 109	151 615 338
Less: Allowance for impairment	(73 405 491)	(53 136 031)
	109 668 618	98 479 307

6. Inventories

Consumable stores - at cost	7 016 906	10 675 254
Franking Machine and Postage	36 777	32 397
SMS Bundles	3 067	3 754
Stationery - at cost	276 170	183 237
Unsold properties held for resale - at cost	7 148 189	6 384 266
Water - at cost	190 328	228 364
	14 671 437	17 507 272

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of water purchases for the year amounted to R 3.45 per kilolitre (2019: R 4.11 per kilolitre).

No Inventories have been pledged as collateral for Liabilities of the municipality.

The cost of inventories (excluding land inventories) recognised as expense and included in Other Materials (refer to Note 40).

Water for distribution

Opening balance	228 364	292 044
System input volume	14 905 299	15 508 104
Authorised consumption	(13 096 986)	(13 009 933)
Water losses	(1 846 349)	(2 561 851)
Closing balance	190 328	228 364

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7. Construction contracts and receivables/(payables)

Contracts in progress at statement of financial position date

Construction contracts and receivables/(payables)	125 682	(2 529 369)
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Reconciliation of contracts for the year

Contract revenue for the year	10 283 766	26 911 925
Contract costs for the year	(10 283 766)	(26 911 925)
Advances received	(348 052)	(2 529 369)
Unpaid deliverables at year end	473 734	-
Balance at year end	125 682	(2 529 369)

Amounts due from/(prepaid by) customers

Opening balance of Advances Receivable	(2 529 369)	(459 287)
Progress billings for the period (with reference to stage of completion)	10 283 766	26 911 925
Advances received during the period	(7 628 715)	(28 982 007)
Amounts due from/(prepaid by) customers	125 682	(2 529 369)
Less Retentions held	-	-
Total due from/(prepaid by) customers	125 682	(2 529 369)

Contracts in progress at year end

Budgeted construction deliverables due at the beginning of the period	6 509 617	1 036 722
New deliverables due	7 973 809	32 384 820
Contract deliverables met	(10 283 766)	(26 911 925)
Total budgeted contract deliverables due	4 199 660	6 509 617
Project deliverables only due in the future	(3 851 608)	(3 980 248)
Less receivables due at year end	473 734	-
Total due (from)/prepaid by customers	(125 682)	2 529 369

Reconciliation of construction contracts balance

Opening Balance	(2 529 369)	(459 287)
Receipts for the year	(7 628 715)	(28 982 007)
Deliverables met (Revenue recognised)	10 283 766	26 911 925
125 682	(2 529 369)	

Contracts with the Provincial Department and its beneficiaries are not subject to any retention.

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7. Construction contracts and receivables/(payables) (continued)

Housing Arrangements

Contract revenue is fixed based on the arrangement with the Provincial Department of Housing. Revenue is determined in terms of the stage of completion which is determined by the progress payments claimed by the sub-contractors received at year end.

The following projects were included in the balances reported above:

30 June 2020

	Phola Park	Riebeek Wes	Riebeek Kasteel	Kalbaskraal	Sibanye
Opening Balance (due to)/from customers	(365 693)	(2 163 676)	-	-	-
Transfer from Assets	24 558	3 880 338	3 992 800	1 232 800	1 153 270
Collections	-	(1 242 929)	(3 992 800)	(1 232 800)	(1 160 187)
Subtotal	(341 135)	473 733	-	-	(6 917)
	(341 135)	473 733	-	-	(6 917)

30 June 2019

	Phola Park	Riebeek Wes	Riebeek Kasteel	Kalbaskraal	Sibanye
Opening Balance (due to)/from customers	(459 287)	-	-	-	-
Transfer from Assets	671 029	26 240 896	-	-	-
Collections	(577 435)	(28 404 572)	-	-	-
Subtotal	(365 693)	(2 163 676)	-	-	-
	(365 693)	(2 163 676)	-	-	-

8. VAT receivable

VAT

2 496 242

8 108 179

For statutory receivable information regarding VAT refer to Note 4.

9. Operating lease asset (accrual)

Current assets	77 335	47 342
Current liabilities	(84 888)	(59 839)
	(7 553)	(12 497)

The Municipality as lessee

Leasing arrangements:

Operating leases relate to Buildings, Computer and other equipment with lease terms of between one to five years. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Buildings	1 263 749	2 308 222
Up to 1 year	1 205 385	1 156 048
1 to 5 years	58 364	1 152 174
Computer Equipment	409 056	807 518
Up to 1 year	398 630	398 546
1 to 5 years	10 426	408 972
Total operating lease commitments	1 672 805	3 115 740

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9. Operating lease asset (accrual) (continued)

Total Operating Lease Expenses - as Lessee	1 600 018	1 475 440
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Operating leases are recognized on the straight-line basis over the lease term. In respect of non-cancellable Operating Leases the following asset/(liability) has been recognised:

Accrual as at 30 June

Opening balance	(59 839)	(84 239)
Operating lease payments effected	1 574 969	1 499 840
Operating expenses recorded	(1 600 018)	(1 475 440)
Total Operating Lease Assets/(Liabilities)	(84 888)	(59 839)

No restrictions have been imposed on the Municipality in terms of the operating lease agreements.

The Municipality as Lessor:

Leasing arrangements:

Operating Leases relate to Investment Property owned by the municipality with lease terms of between 5 to 50 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

At the reporting date the following lease receipts were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	551 467	883 651
1 to 5 years	713 946	689 746
More than 5 years	3 616	3 982
	1 269 029	1 577 379

This impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has resulted in an increase in current year's income of R 29 993.

Operating leases are recognized on the straight-line basis over the lease term. In respect of non-cancellable Operating Leases the following asset/(liability) has been recognised:

No restrictions have been imposed on the Municipality in terms of the lease agreements.

Accrual as at 30 June

Opening balance	47 342	67 266
Operating lease payments received	(838 133)	(903 575)
Operating income recorded as revenue	868 125	883 651
Total Operating Lease Assets/(Liabilities)	77 334	47 342

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10. Finance lease receivables

Housing selling scheme loans	2 677	3 368
Short term portion	(784)	(691)
Non-current Finance Lease Receivables	1 893	2 677
Gross investment in the lease due		
- within one year	1 146	691
- in second to fifth year inclusive	2 284	2 677
	3 430	3 368
less: Unearned finance revenue	(753)	(1 208)
	2 677	2 160
Present value of minimum lease payments due		
- within one year	784	691
- in second to fifth year inclusive	1 893	2 677
Total Finance Lease Receivables	2 677	3 368
Non-current assets	1 893	2 677
Current assets	784	691
	2 677	3 368

Loans were granted to the tenants of low cost housing erected by the Municipality with funds provided by the State, in order to enable them to purchase the houses they previously rent from the Municipality. Loans are repaid over a period of twenty years and at an interest rate of 13.50% per annum. The interest rates inherent to the leases are fixed at the contract date over the entire lease term. The instalments of interest and redemption recoverable from the purchasers are credited to the Housing Fund (see note 21).

Finance Lease Receivables are secured over the property leased. The municipality is not permitted to sell or repledge the collateral in the absence of default by the lessee.

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11. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	74 900 755	(1 399 080)	73 501 675	68 996 390	(21 080)	68 975 310
Movable assets	107 972 026	(52 538 363)	55 433 663	101 288 636	(47 424 694)	53 863 942
Infrastructure	3 404 391 955	(1 750 802 203)	1 653 589 752	3 357 515 838	(1 691 743 383)	1 665 772 455
Community	295 789 935	(155 847 621)	139 942 314	256 287 186	(151 396 681)	104 890 505
Other assets	150 325 141	(121 572 408)	28 752 733	151 204 096	(119 817 494)	31 386 602
Total	4 033 379 812	(2 082 159 675)	1 951 220 137	3 935 292 146	(2 010 403 332)	1 924 888 814

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	68 975 310	7 868 043	(1 963 678)	-	-	(1 378 000)	73 501 675
Movable assets	53 863 942	8 166 297	(299 947)	-	(6 296 629)	-	55 433 663
Infrastructure	1 665 772 455	66 404 662	(4 481 142)	-	(74 106 223)	-	1 653 589 752
Community	104 890 505	38 639 357	(82 076)	1 097 883	(4 546 153)	(57 202)	139 942 314
Other assets	31 386 602	218 929	-	(1 097 883)	(1 754 915)	-	28 752 733
	1 924 888 814	121 297 288	(6 826 843)		- (86 703 920)	(1 435 202)	1 951 220 137

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Land	68 072 932	2 100 378	(1 198 000)	-	68 975 310
Movable assets	49 531 005	11 420 817	(1 120 380)	(5 967 500)	53 863 942
Infrastructure	1 684 099 374	56 830 841	(1 368 200)	(73 789 560)	1 665 772 455
Community	88 930 329	20 366 158	(6 356)	(4 399 626)	104 890 505
Other assets	33 320 316	-	(208 262)	(1 725 452)	31 386 602
	1 923 953 956	90 718 194	(3 901 198)	(85 882 138)	1 924 888 814

The description: Other Assets relates to the traditional line for Buildings.

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year. Compensation in the amount of R711 265 (2019: R 22 305), included in Operating Surplus, was received from the municipality's insurers for Property, Plant and Equipment lost during the year. None of the above assets are pledged as security.

As per Note 43, Impairment losses on Property, Plant and Equipment to the amount of R1 435 202 (2019: R 0) have been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance.

The estimation of the useful lives of assets is a matter of judgement based on the municipality's experience with similar assets.

Expenditure to repair and maintain assets is disclosed in Note 46.

The national lockdown resulted in some minor delays in the completion of work in progress. No projects with expenditure have been halted or delayed significantly. A project pertaining to the extension of a caravan park was cancelled, but no expenditure has been incurred to date. The cancellation is not as a direct result of the national lockdown.

Included in the total for Property, Plant and Equipment are assets that are separately attributable to the service concession arrangement between the municipality and West Coast District Municipality which has assumed the responsibility for the water distribution on behalf of the municipality. For details of the service concession arrangement refer to note 66.

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

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12. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	38 486 440	(3 316 049)	35 170 391	37 790 287	(3 219 170)	34 571 117

Reconciliation of investment property - 2020

	Opening balance	Additions	Disposals	Impairments	Depreciation	Total
Investment property	34 571 117	1 949 500	(1 253 347)	(37 000)	(59 879)	35 170 391

Reconciliation of investment property - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Investment property	31 275 761	5 443 448	(2 082 709)	(65 383)	34 571 117

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

As per Note 43, impairment losses to the value of R37 000 (2019: R0) have been recognised on Investment Property of the municipality at the reporting date. No construction projects were entered into for Investment Property during the year.

Expenditure to repair and maintain assets is disclosed in Note 46.

All of the municipality's Investment Properties are held under freehold interests and none had been pledged as security for any liabilities of the municipality. There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	361 987	355 643
Expenditure		
Direct operating expenses - investment property generating rental revenue	107 664	148 392
Direct operating expenses - investment property that do not generate rental revenue	2 576 720	2 212 413
2 684 384	2 360 805	

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13. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Software licences	4 566 459	(3 651 233)	915 226	5 232 771	(4 070 412)	1 162 359
Website development	69 704	(68 130)	1 574	69 704	(67 319)	2 385
Total	4 636 163	(3 719 363)	916 800	5 302 475	(4 137 731)	1 164 744

Reconciliation of intangible assets - 2020

	Opening balance	Disposals	Amortisation	Total
Software licences	1 162 359	(24 738)	(222 395)	915 226
Website development	2 385	-	(811)	1 574
	1 164 744	(24 738)	(223 206)	916 800

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Software licences	1 152 143	207 073	(196 857)	1 162 359
Website development	3 315	-	(930)	2 385
	1 155 458	207 073	(197 787)	1 164 744

The useful lives of Intangible Assets remain unchanged from the previous year, for which amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

The municipality amortises all its Intangible Assets apart from a life-long servitude. The benefit of this servitude far exceeds its cost.

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

Expenditure to repair and maintain assets is disclosed in Note 46.

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 35).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

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14. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	181 000	-	181 000	181 000	-	181 000
Historical buildings	586 266	-	586 266	586 266	-	586 266
Art Collections, antiquities and exhibits	352 634	-	352 634	352 634	-	352 634
Total	1 119 900	-	1 119 900	1 119 900	-	1 119 900

Reconciliation of heritage assets 2020

	Opening balance	Total
Historical monuments	181 000	181 000
Historical buildings	586 266	586 266
Art Collections, antiquities and exhibits	352 634	352 634
Total	1 119 900	1 119 900

Reconciliation of heritage assets 2019

	Opening balance	Total
Historical monuments	181 000	181 000
Historical buildings	586 266	586 266
Art Collections, antiquities and exhibits	352 634	352 634
Total	1 119 900	1 119 900

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

15. Payables from exchange transactions

Trade payables	66 579 930	63 092 094
Payments received in advanced	1 128 202	1 043 425
Retentions	2 495 879	3 913 384
Other payables	7 112 085	5 253 728
Staff leave	15 882 248	11 068 271
Other deposits	1 185 136	1 185 547
13th cheque accrual	5 492 045	4 700 250
	99 875 525	90 256 699

No interest is charged for the first 30 days from the date of receipt of the statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe. The carrying value of trade and other payables approximates its fair value. Retentions are usually payable after a period of 12 months.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality. Discounting of trade and other payables on initial recognition is not deemed necessary.

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16. Consumer deposits

Electricity and Water	13 831 016	12 750 568
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Guarantees amounting to R 628 600 (2019: R 662 653) are held in lieu of Electricity and Water Deposits.

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the Council can utilise the deposit as payment for the outstanding account. No interest is paid on consumer deposits held.

The carrying value of consumer deposits approximates their fair value.

17. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Long Term: Post-Employment Health Care Benefit Liability	57 570 000	60 793 441
Current Portion: Post-Employment Health Care Benefit Liability	54 687 000	58 289 754
	2 883 000	2 503 687
	11 469 000	10 877 072
Long Term: Long Service Awards	10 365 000	9 609 852
Short Term: Long Service Awards	1 104 000	1 267 220
	69 039 000	71 670 513
Non-current liabilities	65 052 000	67 899 606
Current liabilities	3 987 000	3 770 907
	69 039 000	71 670 513

Post-Employment Health Care Benefit Liability

The Municipality provides certain post- retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of the present value of the unfunded defined benefit obligation were carried out as at 30 June 2020 by ARCH Actuarial Consulting, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement or long service benefits are provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, consisting of the following number of members:

In-service members	293	267
Continuation members	60	56
	353	323

The liability in respect of past service has been estimated to be as follows:

In-service members	27 402 000	30 485 974
Continuation members	30 168 000	30 307 467
	57 570 000	60 793 441

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17. Employee benefit obligations (continued)

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Keyhealth
- Hosmed
- LA Health
- Samwumed

The future service cost for the ensuing year is established to be R 1 747 000, whereas the interest-cost for the next year is estimated to be R 5 774 000 (2019: R 2 015 198 and R 5 558 763 respectively).

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	60 793 441	60 903 057
Benefits paid	(2 686 442)	(2 335 504)
Net expense recognised in the statement of financial performance	(536 999)	2 225 888
	57 570 000	60 793 441

Net expense recognised in the statement of financial performance

Current service cost	2 015 198	2 680 869
Interest cost	5 587 633	5 733 675
Actuarial (gains) losses	(8 139 830)	(6 188 656)
	(536 999)	2 225 888

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.28 %	9.38 %
Health Care Cost Inflation	6.35 %	6.84 %
Net effective Discount Rate	3.70 %	2.38 %
Expected rate of salary increases (long term)	4.08 %	5.58 %
General Inflation rate (CPI)	4.85 %	5.34 %
Retirement Age	62	62

The history of experienced adjustments is as follows:

	One percentage point increase	One percentage point decrease
30 June 2020		
Effect on the aggregate of the service cost and interest cost	8 986 100	6 503 900
Effect on defined benefit obligation	65 478 000	51 050 000
30 June 2019		
Effect on the aggregate of the service cost and interest cost	9 948 100	7 186 400
Effect on defined benefit obligation	70 124 798	53 220 830

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	57 570 000	60 793 441	60 903 057	59 115 765	58 425 768
Experience adjustments on plan liabilities	3 737 170	3 009 266	(275 424)	2 264 246	1 047 819

The municipality expects to make a contribution of R 7 521 000 (2019: R 7 602 831) to the defined benefit plans during the next financial year.

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17. Employee benefit obligations (continued)

Refer to Note 63 "Multi- Employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that are Provincially and Nationally administered.

Long Service Awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000 to become Swartland Municipality). The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2020 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by ARCH Actuarial Consulting, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 70 (2019: 60) employees were paid Long-service Awards.

Eligible employees at the beginning of the year	544	544
New entrants	83	30
Members that exited	(21)	(30)
Eligible employees at the end of the year	606	544

The future service cost for the ensuing year is established to be R 950 000 whereas the interest-cost for the next year is estimated to be R 821 000 (2019: R 884 502 and R 840 987 respectively).

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	10 877 072	10 075 105
Benefits paid	(1 433 824)	(756 281)
Net expense recognised in the statement of financial performance	2 025 752	1 558 248
	11 469 000	10 877 072

Net expense recognised in the statement of financial performance

Current service cost	884 502	782 320
Interest cost	840 987	820 815
Actuarial (gains) losses	300 263	(44 887)
	2 025 752	1 558 248

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.51 %	8.20 %
Expected rate of salary increases	4.08 %	5.58 %
Net effective discount rate	3.30 %	2.48 %
General inflation rate	4.85 %	5.34 %
Average retirement age	62	62

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17. Employee benefit obligations (continued)

The history of experience adjustments

		One percentage point increase	One percentage point decrease
30 June 2020			
Effect on the aggregate of the service cost and interest cost		1 869 200	1 597 800
Effect on defined benefit obligation		12 243 000	10 771 000
30 June 2019			
Effect on the aggregate of the service cost and interest cost		1 732 900	1 487 500
Effect on defined benefit obligation		11 630 735	10 200 053

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	11 469 000	10 877 072	10 075 105	9 011 689	9 142 519
Experience adjustments on plan liabilities	897 263	47 103	1 130 575	(227 440)	(45 580)

18. Other financial liabilities

At amortised cost

Annuity loans	117 966 272	129 676 549
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Summary of arrangements

Annuity Loans are repaid over periods varying from ten to twenty years (2019: ten to twenty years), and at interest rates varying from 8.60% to 10.96% (2019: 6.75% to 13.38%). Annuity Loans are not secured.

Included in the total for Borrowings are loans that are separately attributable to the service concession arrangement between the municipality and West Coast District Municipality which has assumed the responsibility for the water distribution on behalf of the municipality. For details of the service concession arrangement refer to note 66.

Refer to APPENDIX A for more detail on long- term liabilities.

Non-current liabilities

At amortised cost	107 948 337	117 966 271
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Current liabilities

At amortised cost	10 017 935	11 710 278
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19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Afrisam (Indoor/outdoor Centre)	141 039	2 000 000
Community Development Workers	80 951	10 528
Community Safety: K9 Unit	2 590 540	3 987 215
Contributions Covid-19	75 000	-
Emergency Fire Kits	-	1 696
Financial Management Support Grant: Risk Management	-	45 322
Financial Management Support Grant: Student Bursaries	326 455	338 017
Financial Management Support: Graduate Internship Grant	-	61 081
Fire Damage Houses	97 252	97 252
Housing Project: Kalbaskraal	1 301 610	-
Housing: Riebeek Kasteel	7 062 454	-
Housing: Riebeek Wes	1 245 863	1 245 863
Housing: Sibanye	50 541	-
Library Service	4 247	-
Municipal Accreditation and Capacity Building	238 000	224 000
Regional Socio-economic project	3 186 291	-
Swartland Business Hive (Entrepreneurial Hub)	164 500	164 500
Title Restoration: Housing Projects	285 262	287 000
	16 850 005	8 462 474

The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions applicable to all grants received to the extent of revenue recognised. No grants were withheld. The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 29 for reconciliation of grants by other spheres of government and Note 30 for Public Contributions (Other Receipts).

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20. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Change in discount factor	Increase/(Reduction) due to re-measurement	Total
Landfill Site	30 555 807	2 563 726	1 298 455	34 417 988

Reconciliation of provisions - 2019

	Opening Balance	Utilised during the year	Change in discount factor	Increase/(Reduction) due to re-measurement	Total
Landfill Site	30 686 699	(2 912 830)	1 213 730	1 568 208	30 555 807

Environmental rehabilitation provision

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R 34 417 988 (2019: R 30 555 807) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the year end spot rate of a 20 year Government Bond and the average Consumer Price Index from March 2019 to March 2020.

Sites	Proposed Rehabilitation Date	Size (Square Meters)	Current Costs per Square (2020)	2020 Provision	2019 Provision
Heading					
Darling	2044/2045	32 717	596	5 554 542	1 830 740
Highlands	2045/2046	96 456	170	4 409 486	4 816 765
Koringberg	2023/2024	4 690	735	3 257 909	3 019 473
Moerreesburg	2039/2040	28 100	496	5 280 047	6 395 273
Riebeek Kasteel	2023/2024	22 118	595	12 439 180	11 449 730
Yzerfontein	2023/2024	27 400	134	3 476 824	3 043 826
		211 481	2 726	34 417 988	30 555 807

21. Statutory fund: Housing development

The Housing Development Fund has its origin from Loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate Unappropriated Surplus Account for housing transactions was kept.

The Housing Development Fund is represented by Housing Selling Scheme Loans (see Note 10).

Housing Development Fund	2 677	3 368
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Analysis of the composition of the Housing Development Fund:

Housing Development Fund	2 677	3 368
Loans extinguished by Government on 1 April 1998		

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22. Reserves: Capital Replacement

The Capital Replacement Reserve is a reserve to finance future capital expenditure, is fully funded and invested in Financial Instruments.

Balance at the beginning of the year	191 815 807	181 164 978
Contribution from accumulated Surplus	53 056 507	50 000 000
Capital Contributions received	1 701 083	1 214 749
Funding Capital Projects	(47 068 276)	(40 563 920)
	199 505 121	191 815 807

23. Accumulated surplus

Accumulated surplus generated from operations	2 194 262 624	2 073 434 480
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Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 52 "Correction of Error" for details of the restatements.

24. Service charges

Sale of electricity	300 364 052	264 789 219
Sale of water	71 325 856	63 756 266
Sewerage and sanitation charges	51 246 203	45 896 154
Refuse removal	31 782 524	31 358 229
	454 718 635	405 799 868

25. Rental of facilities and equipment

Rental Revenue from buildings	573 712	520 253
Rental Revenue from halls	210 841	351 640
Rental of equipment	746 180	661 380
	1 530 733	1 533 273

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26. Operational revenue		
Sale of goods and rendering of services		
Advertisements	256 210	254 945
Application Fees for Land Usage	9 470	15 183
Building Plan Approval	2 187 801	2 374 723
Bulk Waste Dumping	837 767	829 073
Camping Fees	2 451 396	2 869 755
Cemetery and Burial	671 488	649 315
Cleaning and Removal	596 919	669 876
Clearance Certificates	239 604	219 059
Development Charges	1 701 084	1 214 749
Encroachment Fees	590	590
Entrance Fees	353 117	384 250
Escort Fees	80 991	99 200
Housing (Boarding Services) - Staff	145 219	122 482
Occupation Certificates	246 754	285 965
Photocopies and Faxes	106 752	157 008
Removal of Restrictions	249 378	214 135
Sewerage Blockages	401 632	371 591
Rendering of Fire Services	14 273	12
Sub-division and Consolidation Fees	107 462	98 546
Tender Documents	89 910	82 437
Town Planning and Servitudes	866 475	203 672
Valuation Services	115 956	128 092
Housing Sales or Services Rendered	69 968	-
Other operational revenue		
Administrative Handling Fees	95 677	76 285
Application: Service Connections	280 164	262 548
Breakages and Losses Recovered	53 325	58 137
Discounts and Early Settlements	432 472	93 394
Housing Selling Schemes	1 394	4 550
Incidental cash surpluses	281 684	21 782
Insurance Refund	283 343	202 108
Merchandising, Jobbing and Contracts	63 873	90 661
Other Fees	4 612	4 312
Private Work	10 741	-
Registration Fees - Road and Transport	304 589	405 296
Transaction Handling Fees	74 047	57 948
	13 686 137	12 521 679

27. Interest received

Interest revenue		
Bank account	5 349 424	6 883 061
Interest earned - Investments	40 020 898	33 267 764
Interest earned - Land sales	75 855	13 863
Outstanding debtors: Exchange receivables	1 617 286	1 818 886
	47 063 463	41 983 574

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28. Property rates

Rates received

Residential	70 695 698	65 017 440
Commercial	11 334 237	10 451 005
State	10 614 254	9 630 848
Vacant land	7 888 791	7 395 654
Farm Properties: Agricultural Purposes	18 075 646	16 205 645
Industrial	7 321 343	6 636 118
Rural: Business	885 018	1 325 273
Less: Income forgone	(1 789 796)	(951 334)
	125 025 191	115 710 649

Valuation of Properties (R'000)

Residential	11 492 271	11 372 372
Commercial	1 348 045	1 326 424
State	1 237 674	1 236 275
Vacant land	938 815	905 374
Farm Properties: Agricultural Purposes	10 525 958	10 543 358
Industrial	861 777	842 736
Rural: Business	221 281	202 856
	26 625 821	26 429 395

Assessment Rates are levied on the value of land and improvements, less R 15 000 for residential properties, which valuation must be performed every four years. Interim valuations are processed on a bi- annual basis in November and May of each year to take into account changes in individual property values due to alterations, consolidations and subdivisions. The last valuation came into effect on 1 July 2016.

Differential rates of 0.006490 c/R for residential properties and 0.008580 c/R for commercial, industrial, rural and state properties (2018/2019: 0.006490 and 0.008580 c/R) on land and building valuations were applied to determine assessment rates. A discount of 75 % (2018/2019: 75%) was granted on agricultural land. An exemption of R 15 000 on the value of the property is granted to residential property owners. A further R 300 000 (2018/2019: R 300 000) discount on the market value of the property, over and above the aforementioned R 15 000 is granted on the value of the property for residents 60 years and older on condition that they occupy the premises. Some additional relief was provided to qualifying consumers in order to assist families in need after the national lockdown as per note 68.

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29. Government grants and subsidies

Unconditional grants

Equitable Share	91 534 000	82 048 000
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Conditional grants

Community Development: Workers	3 577	12 750
Community Safety: K9 Unit	3 396 675	12 785
COVID 19 - Food Parcels and Financial Support	969 000	-
Education, Training and Development Practices (Seta)	355 874	348 181
Emergency Fire Kit	1 696	191 565
Energy Efficiency and Demand Side Management Grant (EEDG)	4 000 000	3 000 000
Extended Public Works Programme	1 768 000	1 572 000
Financial Management Support Grant: CaseWare	-	73 071
Financial Management Support Grant: Graduate Internship Programme	61 081	10 919
Financial Management Support Grant: MSCOA	330 000	330 000
Financial Management Support Grant: Student Bursaries	139 151	221 803
Financial Management Support Grant: Risk Management	45 322	54 678
Greenest Town	140 000	-
Housing Project: Kalbaskraal	5 052 995	512 168
Housing Project: Malmesbury De Hoop	2 984 088	-
Housing Project: Riebeek Kasteel	10 225 444	1 881 654
Housing Project: Sibanye-Moorreesburg	8 426 463	950 287
Integrated National Electrification Programme	5 000 000	4 000 000
Libraries	9 602 753	8 429 000
Local Government Financial Management Grant	1 550 000	1 550 000
Municipal Accreditation and Capacity Building	224 000	-
Municipal Infrastructure Grant	21 301 000	24 945 000
Proclaimed Roads Subsidies	6 317 905	9 534 000
Rebuilding of fire damaged houses	-	277 748
Regional Socio-Economic Project (RSEP)	813 709	8 316 114
Sondeza	95 523	91 910
Sports Development Grant	320 000	-
Thusong Centre Refurbishment	-	106 000
Title Restoration Housing	1 738	-
	83 125 994	66 421 633
	174 659 994	148 469 633

No funds destined for the municipality in terms of the annual Division or Revenue Act were delayed, withheld or withdrawn.

The municipality complied with the grant terms including the requirements of section 214(1) of the Constitution.

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Community Development: Workers

Balance unspent at beginning of year	10 528	23 278
Current-year receipts	74 000	-
Conditions met - transferred to revenue	(3 577)	(12 750)
	80 951	10 528

Conditions still to be met - remain liabilities (see note 19).

Funds made available for sundry expenditure and stationery for workers, under the control of the Municipality but remunerated by PAWC.

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29. Government grants and subsidies (continued)

Community Safety: K9 Units

Balance unspent at beginning of year	3 987 215	-
Current-year receipts	2 000 000	4 000 000
Conditions met - transferred to revenue	(3 396 675)	(12 785)
	2 590 540	3 987 215

Conditions still to be met - remain liabilities (see note 19).

Funds are for the establishment of a dog unit for detecting drugs.

COVID 19 - Food Parcels and Financial Support

Current-year receipts - conditional	969 000	-
Current-year receipts - unconditional (donations)	75 000	-
Conditions met - transferred to revenue (operational expenditure)	(119 000)	-
Conditions met - transferred to revenue (in-kind donations)	(850 000)	-
	75 000	-

Conditions still to be met - remain liabilities (see note 19).

Special government allocations received in order to assist those in need following the Covid-19 national lockdown. The balance remaining is expected to be refunded to the public during the 2020/21 financial year.

Emergency Fire Kit

Balance unspent at beginning of year	1 696	193 261
Conditions met - transferred to revenue	(1 696)	(191 565)
	-	1 696

Conditions still to be met - remain liabilities (see note 19).

Funds are utilised to support disaster victims that live in shelters.

Education, Training and Development Practices (Seta)

Current-year receipts	355 874	348 181
Conditions met - transferred to revenue	(355 874)	(348 181)
	-	-

Training of officials as well as unemployed persons utilised on projects under control of the Municipality.

Energy Efficiency and Demand Side Management Grant (EEDG)

Current-year receipts	4 000 000	3 000 000
Conditions met - transferred to revenue	(4 000 000)	(3 000 000)
	-	-

Installation of floodlights in public open spaces to ensure the safety of the community.

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29. Government grants and subsidies (continued)

Extended Public Works Programme

Current-year receipts	1 768 000	1 572 000
Conditions met - transferred to revenue	(1 768 000)	(1 572 000)
	-	-

The grant is to enable the Municipality to create jobs.

Financial Management Support Grant: CaseWare

Balance unspent at beginning of year	-	(73 071)
Conditions met - transferred to revenue	-	73 071
	-	-

The grant is for the implementation of CaseWare to compile Financial Statements.

Financial Management Support Grant: Graduate Internship Programme

Balance unspent at beginning of year	61 081	-
Current-year receipts	-	72 000
Conditions met - transferred to revenue	(61 081)	(10 919)
	-	61 081

Conditions still to be met - remain liabilities (see note 19).

The funds are to enable the Municipality to capacitate graduate interns who are technically ready for possible consideration as employees within Municipalities.

Financial Management Support Grant: mSCOA

Current-year receipts	330 000	330 000
Conditions met - transferred to revenue	(330 000)	(330 000)
	-	-

The grant is for the Municipality to implement mSCOA.

Financial Management Support Grant: Student Bursaries

Balance unspent at beginning of year	338 017	199 820
Current-year receipts	379 000	360 000
Conditions met - transferred to revenue	(139 151)	(221 803)
Refunded to funder	(338 017)	-
Beneficiary refund received	86 606	-
	326 455	338 017

Conditions still to be met - remain liabilities (see note 19).

Municipal bursary programme that enable municipalities to attract top performing learners and learners with potential to succeed in Higher Education Institutions (HEI) in the areas such as finance, economics, accounting, supply chain management, internal audit, risk management, infrastructure, etc.

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29. Government grants and subsidies (continued)

Financial Management Support Grant: Risk Management

Balance unspent at beginning of year	45 322	-
Current-year receipts	-	100 000
Conditions met - transferred to revenue	(45 322)	(54 678)
	-	45 322

Conditions still to be met - remain liabilities (see note 19).

The purpose of the grant is to implement a systematic and formalised process to identify, assess, manage and monitor risks by acquiring, configuring and utilising a Risk Management automated electronic system.

Greenest Town

Current-year receipts	140 000	-
Conditions met - transferred to revenue	(140 000)	-
	-	-

Prize money for achieving an award at the National Greenest Town Competition.

Housing Project: Kalbaskraal

Current-year receipts - Unspent Grant	6 050 360	167 814
Construction contracts current-year receipts	1 232 800	-
Current-year receipts considered to be GRAP 109 receipts o.b.o. Housing	180 211	-
Beneficiaries		
Current-year receipts - Operational Revenue: Housing Services	40 200	-
Conditions met - transferred to revenue: Government grants	(5 052 995)	(512 168)
Construction contracts revenue	(1 232 800)	-
GRAP 109 Payments o.b.o. Housing Beneficiaries	(180 211)	-
Operational Revenue: Housing Services	(40 200)	-
Reallocation of Land Receipts to Conditional Grant Balance	304 245	-
Transferred to debtors	-	344 354
	1 301 610	-

Conditions still to be met - remain liabilities (see note 19).

Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.

Construction contracts, Operational Revenue and disclosure pertaining to Agents are disclosed in Notes 7, 26 and 67.

Purchase of Land: Kalbaskraal

Conditions met - transferred to revenue	-	2 153 307
Transferred to debtors	-	(2 153 307)
Change in accounting policy: Sale of Land (gains and losses)	-	(2 153 307)
Change in accounting policy: Revenue included under debtors	-	2 153 307
	-	-

For the change in accounting policy refer to note 54. The balance included under receivables remains unchanged as the change in accounting policy would have resulted in a credit against the debtors with the new treatment resulting in an additional debit.

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29. Government grants and subsidies (continued)

Housing: Phola Park

Balance unspent at beginning of year	-	459 287
Current-year receipts	-	577 435
Conditions met - transferred to revenue	-	(671 029)
Construction contracts revenue	24 558	-
Correction of error: Opening Balance considered to be Construction contracts	-	(459 287)
Correction of error: Current-year receipts considered to be Construction contracts	-	(577 435)
Correction of error: Conditions met considered to be Construction contracts	-	671 029
Construction contracts advances from customers	(24 558)	-
	-	-
	-	-

Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.

Construction contracts, Operational Revenue and disclosure pertaining to Agents are disclosed in Notes 7, 26 and 67.

Housing Project: Malmesbury De Hoop

Current-year receipts	2 886 621	-
Conditions met - transferred to revenue	(2 984 088)	-
Transferred to debtors	97 467	-
	-	-
	-	-

Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.

Construction contracts, Operational Revenue and disclosure pertaining to Agents are disclosed in Notes 7, 26 and 67.

Housing Project: Riebeek Kasteel

Current-year receipts	17 287 898	870 103
Construction contracts current-year receipts	3 992 800	-
Conditions met - transferred to revenue	(10 225 444)	(1 881 654)
Construction contracts revenue recognised	(3 992 800)	-
Transferred to debtors	-	1 011 551
	7 062 454	-

Conditions still to be met - remain liabilities (see note 19).

Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.

Construction contracts, Operational Revenue and disclosure pertaining to Agents are disclosed in Notes 7, 26 and 67.

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29. Government grants and subsidies (continued)

Housing: Riebeek Wes

Balance unspent at beginning of year	1 245 863	1 245 863
Construction contracts opening balance	2 163 676	-
Current-year receipts	-	28 648 572
Conditions met - transferred to revenue	-	(24 637 621)
Correction of error: Conditions met transferred to revenue	-	(1 847 275)
Correction of error: Current-year receipts considered to be Construction contracts	-	(28 404 572)
Correction of error: Conditions met considered to be Construction contracts	-	26 240 896
Construction contracts current-year receipts	1 242 928	-
Construction contracts revenue	(3 880 337)	-
Construction contracts due from customers	473 733	-
	1 245 863	1 245 863

Conditions still to be met - remain liabilities (see note 19).

Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.

Construction contracts, Operational Revenue and disclosure pertaining to Agents are disclosed in Notes 7, 26 and 67.

Housing Project: Sibanye-Moorreesburg

Current-year receipts - Unspent Grant	8 477 004	950 287
Current-year receipts - Operational Revenue: Housing Services	29 768	-
Construction contracts current-year receipts	1 160 187	-
Current-year receipts considered to be GRAP 109 receipts o.b.o. Housing	99 226	-
Beneficiaries		
Conditions met - transferred to revenue: Government grants	(8 426 463)	(950 287)
Operational Revenue: Housing Services	(29 768)	-
Construction contracts revenue	(1 153 270)	-
GRAP 109 Payments o.b.o. Housing Beneficiaries	(99 226)	-
Construction contracts advances from customers	(6 917)	-
	50 541	-

Conditions still to be met - remain liabilities (see note 19).

Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.

Construction contracts, Operational Revenue and disclosure pertaining to Agents are disclosed in Notes 7, 26 and 67.

Integrated National Electrification Programme

Current-year receipts	5 000 000	4 000 000
Conditions met - transferred to revenue	(5 000 000)	(4 000 000)
	-	-

Funds made available for the electrical network to the proposed area where low cost houses are build and the electrification of these houses.

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29. Government grants and subsidies (continued)

Libraries

Current-year receipts	9 607 000	8 429 000
Conditions met - transferred to revenue	(9 602 753)	(8 429 000)
	4 247	-

Conditions still to be met - remain liabilities (see note 19).

Grant provided for the partial funding of the operational and capital costs of libraries in the area under the jurisdiction of the Swartland Municipality.

Local Government Financial Management Grant

Current-year receipts	1 550 000	1 550 000
Conditions met - transferred to revenue	(1 550 000)	(1 550 000)
	-	-

The purpose of the grant is to enable the Municipality to modernise and improve its financial management activities entailing, among others, capacity building, the implementation of municipal finance management legislation and regulating policies and compliance with generally accepted municipal accounting practices.

Municipal Accreditation and Capacity Building

Balance unspent at beginning of year	224 000	-
Current-year receipts	238 000	224 000
Conditions met - transferred to revenue	(224 000)	-
	238 000	224 000

Conditions still to be met - remain liabilities (see note 19).

Funds received for the remuneration of an intern for the Department of Community Services.

Municipal Infrastructure Grant

Current-year receipts	21 301 000	24 945 000
Conditions met - transferred to revenue	(21 301 000)	(24 945 000)
	-	-

Funds utilised for the upgrading of existing infrastructure in its area of jurisdiction and/or the erection / construction of new amenities required for service delivery and the development of sport.

Proclaimed Roads Subsidies

Current-year receipts	6 317 905	9 534 000
Conditions met - transferred to revenue	(6 317 905)	(9 534 000)
	-	-

Expenditure incurred by the Municipality in connection with the maintenance of proclaimed main roads falling under the jurisdiction of the Municipality, in accordance with a budget approved by the PAWC, which costs are partly recoverable from the Administration.

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29. Government grants and subsidies (continued)

Rebuilding of fire damaged houses

Balance unspent at beginning of year	97 252	-
Current-year receipts	-	375 000
Conditions met - transferred to revenue	-	(277 748)
	97 252	97 252

Conditions still to be met - remain liabilities (see note 19).

Funds made available for the rebuilding of houses which burned down.

Regional Socio-Economic Project (RSEP)

Balance unspent at beginning of year	-	3 816 114
Current-year receipts	4 000 000	4 500 000
Conditions met - transferred to revenue	(813 709)	(8 316 114)
	3 186 291	-

Conditions still to be met - remain liabilities (see note 19).

Funds received from PAWC for the social upliftment in lower income areas to improve living conditions and combat crime.

Sondeza

Current-year receipts	95 523	91 910
Conditions met - transferred to revenue	(95 523)	(91 910)
	-	-

Funds received from PAWC for the hosting of a Youth Camp.

Sports Development Grant

Current-year receipts	320 000	-
Conditions met - transferred to revenue	(320 000)	-
	-	-

Funds received for the enhancement of existing sports ground.

Thusong Centre Refurbishment

Current-year receipts	-	106 000
Conditions met - transferred to revenue	-	(106 000)
	-	-

Funds received from PAWC for certain repairs to the Thusong Centre.

Swartland Municipality

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29. Government grants and subsidies (continued)

Title Restoration Housing

Balance unspent at beginning of year	287 000	42 000
Current-year receipts	-	245 000
Conditions met - transferred to revenue	(1 738)	-
	285 262	287 000

Conditions still to be met - remain liabilities (see note 19).

Funds utilised for the title deed restoration for owners of low cost housing.

Entrepreneurial Hub

Balance unspent at beginning of year	164 500	200 000
Current-year receipts	-	214 500
Conditions met - transferred to revenue	-	(250 000)
	164 500	164 500

Conditions still to be met - remain liabilities (see note 19).

Indoor/Outdoor Sport Centre - public contribution

Balance unspent at beginning of year	2 000 000	-
Current-year receipts	-	2 000 000
Conditions met - public contributions	(1 858 961)	-
	141 039	2 000 000

Conditions still to be met - remain liabilities (see note 19).

Reconciliation of grant allocation expenditure per vote (MFMA s123(c))

Vote 1 - Corporate Services	10 254 381	9 105 177
Vote 2 - Civil Services	29 194 185	38 857 737
Vote 4 - Electricity Services	9 140 000	7 100 414
Vote 5 - Financial Services	1 880 000	1 953 071
Vote 6 - Development Services	38 052 836	35 819 138
Vote 7 - Municipal Manager	45 322	54 678
Vote 8 - Protection Services	4 843 036	443 343
	93 409 760	93 333 558

The above revenue were recognised as follows:

Construction contracts	10 283 766	26 911 925
Government grants and subsidies	83 125 994	66 421 633
	93 409 760	93 333 558

30. Public contributions and donations

Entrepreneurial Hub	-	250 000
Sondeza (SLIMSUN)	53 300	36 000
Contribution Sondeza (Germany)	25 699	30 747
Indoor / Outdoor Sport Centre (Donation)	1 858 961	-
	1 937 960	316 747

Conditions still to be met - remain liabilities (see note 19).

Swartland Municipality

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Figures in Rand	2020	2019
31. Fines, Penalties and Forfeits		
Building Fines	86 484	98 340
Councillors Fines	43	-
Deposits	9 218	12 087
Illegal Connections	20 000	23 000
Library Abbotsdale	645	1 156
Library Chatsworth	607	1 012
Library Darling	3 413	5 125
Library Malmesbury	9 502	15 504
Library Moorreesburg	3 598	3 967
Library Riebeek Kasteel	1 391	1 913
Library Riebeek Wes	2 783	3 652
Library Wesbank	4 454	8 062
Prescribed Debt	9 130	-
Traffic Fines	22 593 797	27 528 994
	22 745 065	27 702 812
32. Licences and permits		
Application: Driver Licenses	544 076	694 867
Application: Instruction Certificate	1 435	861
Application: Learner Licenses	170 121	195 429
Application: Special Permits	38 304	50 928
Application: Temporary Permits	86 196	97 482
Drivers Licenses: Issue	306 806	380 218
Drivers Licenses: Temporary	63 551	85 112
Film Shooting	200 178	203 435
Instruction Certificates: Issue	172	144
Learners License: Duplicate	3 961	3 616
Learners Licenses: Issue	47 722	54 925
Licences: Deregistration, Special and Other	26 100	33 400
Licenses: Trading	2 347	899
Professional Driver Permits	119 655	143 933
Registrations Vehicles	1 860 932	1 961 240
Registrations: Duplicate	90 915	123 090
	3 562 471	4 029 579
33. Employee related costs		
Employee related costs - Salaries and Wages	131 083 139	119 081 309
Employee related costs - Contributions for UIF, pensions, medical aids and other contributions	37 303 771	32 283 619
Bonuses: 13th cheque	10 579 192	9 134 788
Contribution to leave gratuity	5 549 654	2 368 932
Housing benefits and allowances	1 511 103	1 389 714
Overtime payments	14 418 338	9 249 097
Performance bonus	605 602	532 222
Travel, motor car, accommodation, subsistence and other allowances	18 077 774	16 128 108
Contribution to provision for post- retirement medical aid benefits	(536 999)	2 225 888
Contribution to long-service provision	2 025 752	1 558 248
	220 617 326	193 951 925

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33. Employee related costs (continued)		
Remuneration of Municipal Manager		
Annual Remuneration	1 387 909	1 381 701
Car Allowance	185 000	239 965
Performance Bonuses	254 649	226 190
Contributions to UIF, Medical and Pension Funds	444 945	362 149
Cellphone Allowance	40 800	40 800
	2 313 303	2 250 805
Remuneration of Chief Finance Officer		
Allowance	88 053	87 506
Annual Remuneration	948 723	946 122
Car Allowance	72 000	131 433
Contributions to UIF, Medical and Pension Funds	260 885	247 314
Cellphone Allowance	40 800	40 800
Performance Bonuses	163 526	156 749
	1 573 987	1 609 924
Remuneration of Director: Corporate Services		
Annual Remuneration	1 138 707	1 070 754
Car Allowance	60 177	72 321
Cellphone Allowance	40 800	40 800
Contributions to UIF, Medical and Pension Funds	289 788	256 838
Long Service Award	118 996	-
	1 648 468	1 440 713
Remuneration of Director: Civil Engineering Services		
Annual Remuneration	934 838	911 204
Car Allowance	96 000	120 152
Performance Bonuses	163 526	149 283
Contributions to UIF, Medical and Pension Funds	247 770	229 556
Allowance	88 053	85 654
Cellphone Allowance	40 800	40 800
	1 570 987	1 536 649
Remuneration of Director: Electrical Engineering Services		
Annual Remuneration	966 596	946 600
Car Allowance	148 137	172 291
Contributions to UIF, Medical and Pension Funds	347 100	261 472
Cellphone Allowance	40 800	40 800
Leave Pay	47 282	44 483
Bonuses: 13th Cheque	79 533	74 176
	1 629 448	1 539 822

Swartland Municipality

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Figures in Rand	2020	2019
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33. Employee related costs (continued)

Remuneration of Director: Development Services

Annual Remuneration	905 669	986 412
Car Allowance	120 000	169 295
Contributions to UIF, Medical and Pension Funds	249 370	241 378
Cellphone Allowance	40 800	29 450
Performance Bonus	23 900	-
Leave Pay	-	624 206
Housing Allowance	-	4 259
Allowance	58 473	11 489
	1 398 212	2 066 489

Remuneration of Director: Protection Services

Annual Remuneration	902 666	882 609
Car Allowance	228 000	263 070
Cellphone Allowance	40 800	40 800
Leave Pay	48 013	45 216
Bonuses: 13th Cheque	74 794	69 416
Long Service Award	96 026	-
Contributions to UIF, Medical and Pension Funds	320 477	242 588
	1 710 776	1 543 699

Remuneration of individual reporting directly to the Municipal Manager (Senior Manager: Strategic Services)

Annual Remuneration	921 744	864 038
Car Allowance	29 841	33 840
Cellphone Allowance	5 400	5 400
Long Service Award	-	34 596
Contributions to UIF, Medical and Pension Funds	226 741	217 501
	1 183 726	1 155 375

34. Remuneration of councillors

Executive Mayor	606 161	576 266
Deputy Executive Mayor	585 285	561 370
Mayoral Committee Members	1 810 880	1 745 617
Speaker	459 034	437 437
Councillors	3 763 180	3 492 228
Councillors' - travelling allowances	1 405 906	1 315 990
Councillors' - cellular and telephone	1 020 842	1 018 480
Councillors' - pension contribution	1 000 062	981 281
Councillors' - medical aid contribution	239 309	240 728
	10 890 659	10 369 397

In-kind benefits

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Executive Mayoral Committee Members of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.

Swartland Municipality

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35. Depreciation and amortisation		
Property, plant and equipment	86 703 920	85 882 138
Investment property	59 879	65 383
Intangible assets	223 206	197 787
	86 987 005	86 145 308
36. Finance costs		
Long term borrowings	13 154 060	14 277 679
Unwinding of interest for provisions	1 298 455	1 213 782
	14 452 515	15 491 461
37. Bulk purchases		
Electricity - Eskom	229 091 017	194 308 453
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom.		
Distribution losses are disclosed in Note 59.		
38. Contracted services		
Outsourced Services		
Actuaries	8 500	-
Alien Vegetation Control	48 500	61 750
Burial Services	1 175	1 828
Business and financial management	1 910 083	1 526 449
Catering Services	570 520	474 460
Cleaning Services	228 528	190 250
Clearing and Grass Cutting Services	54 199	79 998
Commissions and committees	31 730	-
Connection/ Disconnection - Water	771 141	165 050
Connection/Disconnection - Electricity	1 138 752	802 238
Dumping site	5 000 276	4 312 169
Electrical	176 420	141 965
Fire Protection	110 750	17 722
Forensic investigators	-	2 100
Human resources	-	40 417
Hygiene Services	99 830	60 628
Litter Picking and Street Cleaning	4 026 586	3 824 962
Meter Management	53 823	213 527
Mini Dumping Sites	165 466	203 366
Outsourced Services: Researcher	13 530	-
Professional Staff	-	18 260
Quality control	541 096	797 448
Refuse Removal	1 066 529	865 625
Research and advisory	2 344 891	2 539 723
Security Services	1 925 874	1 420 702
Stage and sound crew	11 500	10 900
Swimming Supervision	43 560	35 200
Traffic Fines Management	1 693 162	1 883 100
Translators, Scribes and Editors	52 564	50 821
Transport Services	284 942	265 330
Valuers and assessors	666 320	943 893

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38. Contracted services (continued)

Contractors

Artists and Performers	4 475	350
Audit committee	88 470	96 480
Building	-	607 733
Communications	83 200	67 133
Construction of Low Cost Housing	10 283 766	26 911 925
Employee Wellness	6 700	16 159
Engineering - Civil	2 249 353	2 399 423
Fire Protection	38 174	-
Forestry	342 014	368 824
Gardening Services	57 410	51 520
Gas	1 590	2 986
Laboratory services - Water	132 924	377 799
Legal costs	2 104 168	2 841 289
Maintenance of Assets	17 009 396	22 220 311
Maintenance of Buildings and Facilities	5 606 447	3 868 274
Maintenance of Equipment	4 545 617	3 972 599
Management of Informal Settlements	2 534	-
Medical Health Services	-	20 790
Medical Services	7 273	20 924
Organic and Building Refuse Removal	154 429	169 953
Other Housing Expenditure	71 706	-
Pest Control and Fumigation	17 337	13 141
Planning: Electrical Engineer	118 843	60 727
Planning: Mechanical Engineer	282 762	-
Planning: Town Planner	607 754	702 642
Plants, Flowers and Other Decorations	-	348
Risk Management	4 000	-
Traffic and Street Lights	72 427	87 385
Transportation	993	850
	66 934 009	85 829 446

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39. Grants and subsidies paid

Other subsidies

Non-profit institution

ACVV	100 000	-
Bergrivier Canoe Marathon	-	54 000
Darling Outreach	100 000	-
Goedgedacht Trust	100 000	-
National Sea Rescue Institute	82 456	47 687
SPCA	280 900	265 000
Yzerfontein Conservancy	68 380	65 000
Museums		
Darling	52 444	49 852
Malmesbury	52 444	49 852
Oude Kerk	52 444	49 852
Wheat Industry	-	49 852
Tourism		
Swartland and Coastal Area	766 656	766 656
* Social Upliftment		
COVID 19 Food Parcels (In-Kind)	855 963	-
Darling Focus	42 080	40 000
Darling Recycling	-	50 000
Elkana Childcare	47 340	45 000
HUB R27	34 882	17 659
Huis van Heerde	92 471	45 000
Jo Dolphin	52 600	50 000
Multi-Purpose Centre: Moorreesburg	42 080	40 000
Night Shelter	26 300	25 000
Old Age Homes	890 381	632 981
Student Bursaries	139 151	221 803
	3 878 972	2 565 194

Due to the need in the Swartland Municipal area for expert services and resources to support effective domestic animal management initiatives and controls, for which the Municipality does not have the resources, it is deemed necessary, from a perspective of serving the community, for the Municipality to contribute financially towards the operational costs of the SPCA.

The National Sea Recue Institute (NSRI) is a non-profit organisation dedicated to the preservation of all persons at sea. Their members provide their services on a voluntary basis and the organisation is dependent on donations and sponsorship from the public. The NSRI operates a base from Yzerfontein providing a rescue service to the commercial and recreational fishing boats as well as bathers in the vicinity. Financial assistance by the Municipality is intended to enable the organisation to fund some of its operations as the Municipality cannot offer this essential service.

The Yzerfontein Urban Conservancy came into being to preserve and promote, on a voluntary basis, the conservation of the environment and heritage in, specifically, the sensitive coastal region within the boundaries of the Yzerfontein Local Nature Reserve. Financial assistance by the Municipality is intended to enable the Organisation to fund its programmes.

Museums generally do not generate sufficient income from own resources, and are therefore dependent on financial aid from the public and organisations to meet their financial needs and obligations. The Municipality, consequently regards it appropriate to contribute financially to this end.

The aim of * Social Upliftment organisations entails the social upliftment of the poor and disadvantaged section of the community. Financial aid by the Municipality to these organisations, as well as assistance in counselling and advisory services, is intended to enable them to fulfil the said aim.

As a result to the national lockdown, many families needed urgent support to ensure that their families are fed. The amounts paid to Goedgedacht Trust, Darling Outreach and ACVV were payments made to Non-profit institutions in order to respond to the needs of those communities where these institutions are active. Further relief was provided through the issuance of food parcels directly to needy households as indicated.

Swartland Municipality

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40. Other Materials

Sale of goods		
Consumables	4 439 955	3 533 797
Consumables: Zero Rated	7 765 998	8 397 367
Materials and Supplies	944 541	998 967
Inventory Consumed: Water	13 096 987	13 009 933
	26 247 481	25 940 064

41. Operational cost

Advertising, publicity and marketing	1 463 163	1 277 457
Assets less than the capitalisation threshold	174 876	99 979
Bank Charges, facility and card fees	311 079	339 484
Bank charges, fleet cards	913 421	848 827
Cleaning services: Car valet and washing services	1 600	2 100
Cleaning services: Laundry services	1 220	1 590
Commission: Prepaid electricity	1 219 944	1 053 307
Commission: Third party vendors	471 085	359 082
Communication: Bulk message service	192 526	64 738
Communication: Cellular contract (Subscription and calls)	12 789	12 962
Communication: Licences (Radio and television)	17 466	15 567
Communication: Postage/Stamps/Franking machines	1 033 661	1 085 478
Communication: Telephone, fax, telegraph and telex	660 332	672 432
Deeds	36 764	49 650
Entertainment: Mayor	20 662	40 435
Entrance fees	78 007	73 287
External audit fees	2 587 864	2 747 963
External computer service	3 414 345	3 999 171
Full time union representative	79 199	76 994
Indigent relief	1 279 939	1 085 272
Insurance	1 920 511	1 451 756
Licences: Motor vehicle licence and registrations	688 562	652 404
Licences: Performing arts	45 529	44 512
Operating leases - Machinery, equipment and other	2 584 360	2 122 780
Other	17 970	20 721
Parking fees	78 249	82 596
Printing, publications and books	341 646	732 058
Professional bodies, membership and subscription	2 205 161	2 036 287
Registration fees	57 549	76 673
Remuneration to ward committees	364 023	358 887
Resettlement cost	127 500	21 513
Servitudes and land surveys	612 880	517 414
Signage	122 194	26 440
Skills development fund levy	1 544 777	1 654 825
Specialized computer services	-	35 100
Travel and subsistence	440 338	577 720
Uniform and protective clothing	2 240 432	2 012 543
Vehicle tracking	252 378	130 895
	27 614 001	26 460 899

Swartland Municipality

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42. Gains on vesting of properties and equipment		
Properties vesting to the municipality	9 817 543	5 167 880
Vesting of equipment	106 778	31 673
	9 924 321	5 199 553

The above relates to property which was purchased and constructed or installed by private individuals that resulted in assets vesting to the municipality in terms of the municipal mandate to provide and maintain these assets.

Properties related to land portions that were constructed by developers for the establishment of new neighbourhoods. In terms of town planning certain spaces (public open spaces) as well the roads infrastructure however vests to the municipality in terms of IGRAP 18. Title deeds are usually registered in the name of the municipality. The gain is recognised at the point where the municipality demonstrates control over the land.

Equipment that vests pertain to meters that are installed by developers on properties developed and sold to private individuals. Gains are recognised once the new owner requests a service connection.

43. Impairment of assets and receivables

Impairment of fixed assets

Property, plant and equipment	1 435 202	-
Investment property	37 000	-
	1 472 202	-

Impairment of financial assets

Trade and other receivables	20 269 462	7 858 078
Total impairment losses recognised (reversed)	21 741 664	7 858 078

44. Budget differences

Material differences between budget and actual amounts

Current assets: Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury. In the Budget Statement of Financial Position consumer debtors consist of receivables from exchange and non-exchange transactions. The budget format does not allow for various debtor balances to be disclosed separately. For this reason Operating leases and VAT are all incorporated under Other debtors whilst Property Rates are incorporated under Consumer Debtors.

Non-current assets: The current portion of Long- Term and Finance Leases Receivables are not included in Current Assets but the net of the Long Term and Finance Lease receivable portion. Heritage assets are incorporated under Other Non- Current Assets.

Current liabilities: Unspent conditional grants and receipts and Operating lease liabilities are included under Payables from Exchange Transactions. The current portion of VAT payable and the current portion of Employee benefit liabilities are incorporated in provisions.

Non-current liabilities: Current portion of Finance Lease liabilities are included in Finance Lease Liabilities. Employee benefits are incorporated in provisions. Finance lease liabilities are included in Long term borrowings. Statutory Funds are included in Reserves.

Swartland Municipality

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44. Budget differences (continued)

Explanation of material variances:

Revenue:

44.1 Construction Contracts: This revenue arises from a new standard adopted, however the revenue was budgeted for under Government Grants and Subsidies.

44.2 Agency services: Agency fees are based on a monthly estimate of licenses that will be issued. As the traffic services office was closed during the lockdown, the receipts were less than budgeted.

44.3 Operational Revenue: Development charges (R1.7m) is not budgeted for as this item is ad-hoc in nature.

44.4 Interest received on rates receivables: Variance is due to a reclassification from the interest received under exchange to non-exchange.

44.5 Government grants and subsidies: The grant income is lower than budgeted as expenditure was delayed due to the lockdown. Some civil services could continue after the first month, but the housing and regional socio-economic project could only continue once the lockdown was lifted.

44.6 Fines: Our budgeted expectations were not materialised. Future budgets will be updated accordingly.

44.7 Licences and permits: As the traffic services office was closed during the lockdown period, the revenue was less than budgeted.

44.8 Donated Property, Plant and Equipment: This item is not budgeted for as it is non-cash and the ad-hoc nature of the line item.

Expenditure:

44.9 Bad Debts Written Off and Reversal of Impairment Loss/(Impairment Loss) on Receivables: The municipality budgets for debt impairment and write-offs as a single line while GRAP splits these. The difference in the combined amount pertains to the indigents' subsidy which is fully impaired. In the prior year an audit finding was raised regarding the validity of indigent debtors. In return, any indigent discounts granted may not be accounted for as a reduction of revenue or a discount against the debtor account. At year end, the municipality fully impair these debtor balances as the monies are not considered collectable given the nature of the debtor. The value of this impairment for 2020 is R18m.

44.10 Other materials: The variance is due to the refund from the District (water service concession arrangement) exceeding expectations.

44.11 Transfers and subsidies: Some grant projects did not materialise due to the lockdown (e.g. Berg River Canoe Marathon), whilst other projects could not continue due to late submission of supporting documents required from the earmarked institutions prior to the payments being made. Earmarked institutions projects that did not materialise were approximately R230 000 whilst the bursary allocation and food parcel expectations did not materialise to the value of R200 000 and R250 000 respectively.

44.12 Operational Costs and Water Losses: The budget for Workmans Compensation subscription as well as Water Losses is included under this line per the NT Budget prescripts (Total budgeted value of R5m) whilst savings were noted on external computer services (R2m) and insurance (R2m). The saving on the computer services was due to the service not being required whilst the negotiations with the insurer yielded better premiums than expected.

Gains and losses:

44.13 Gains on Vesting of Properties: This item is not budget for as it is non-cash and the ad-hoc nature of the line item.

44.14 Gains on Sale of Land: Certain expected land sales did not materialise as the deeds office was closed for the lockdown period which resulted in some backlogs in processing of transfers of title deeds.

Capital expenditure per vote:

44.15 Corporate Services: At the time of preparing the budget, the purchase of land for housing projects was still considered capital. Following the implementation of the housing guideline, this expenditure (R2m) was considered operational.

44.16 Financial Services: The R10m pertains to the gains of vesting of land which is not included in the budget.

44.17 Development Services: Housing and regional socio-economic project could only continue once the lockdown was lifted which resulted in a delay in the projects expenditure. For RSEP the tender prices far exceeded the budget.

44.18 Protection Services: The variance is due to donated traffic monitoring computer equipment which is on an ad-hoc (therefore unbudgeted) nature.

Swartland Municipality

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44. Budget differences (continued)

Assets

44.19 Inventories: The lockdown has resulted in a lower rate of service requests and ample stock on hand for the post-lockdown service demand.

44.20 Construction contracts and receivables/payables: This line was not budgeted as the effects of adopting the policy on GRAP 11 was only obvious at year end. The balance was included under conditional grant receipts.

44.21 Consumer debtors: The municipality's adjustments budget (for the effects of COVID 19) expected a recovery rate on debtors of 85% instead of 95% which was actually achieved.

44.22 Other debtors and Vat receivables: The balance for Vat is included under this budget per the NT budget prescripts.

44.23 Cash and cash equivalents: The municipality's adjustments budget (for the effects of COVID 19) expected a recovery rate on debtors of 85% instead of 95% which was actually achieved.

44.24 Investment property: Overspent primarily pertains to the R10m for gains on vesting of properties.

44.25 Intangible assets: The budgeted amount was based on the original budget (in terms of the strategic plan) rather than the actual results of the prior year.

Liabilities:

44.26 Payables from exchange transactions, Current portion of employee Benefits and Unspent grants and receipts: The budgeted amount includes the current portion of the employee benefits and the budget for unspent grants and receipts per the NT prescribed budget format. Furthermore, as can be noted by the movement on the inventory balance in comparison to that of the prior year, purchases close to year end was less than prior years due to lower service requests from the public and adequate stock on hand to meet the post lockdown demand.

44.27 Current Provisions: Current Provisions was budgeted as the 13th Cheque accrual. In the current year this item was reclassified to Payables in terms of GRAP as the treatment is consistent with that of an accrual rather than a provision.

44.28 Employee benefit obligation and Non-current Provisions: Combined budget for provisions and employee benefits. In total the budget is reasonable in comparison to the actual result.

Cash flow from investing activities

44.29 Purchase of property, plant and equipment: As per the capital expenditure listed previously, the lockdown resulted in some delays of capital expenditure, but achieved result is considered appropriate.

44.30 Proceeds on sale of investment property: The prescripts of the NT budget do not have any allocation for proceeds on sale of Investment Property.

44.31 Repayment of borrowings: The budgeted amount was based on the original budget (in terms of the strategic plan) rather than the actual results of the prior year.

44.32 Increase (decrease) in consumer deposits: This line is included under Payments made for purposes of GRAP, whilst National Treasury's budget guideline treats the item differently.

Changes from the approved budget to the final budget

Changes between the original and final adjustments budget are due to budget adjustments that are approved by council. Furthermore, for operational and capital expenditure, some virements were approved based on the municipal delegation of authority. No material budget or significant virements were noted.

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45. Cash generated from operations		
Surplus	128 516 764	113 145 816
Adjustments for:		
Depreciation and amortisation	86 987 005	86 145 308
Loss on sale of property, plant and equipment	4 783 790	(308 985)
Gain on sale of assets and liabilities	(498 856)	(1 468 768)
Movement in provisions	-	(2 912 830)
Unwinding of interest on landfill site provision	1 298 455	1 213 782
Gains on vesting of properties	(9 924 321)	(5 199 553)
Donated property, plant and equipment	(1 365 864)	(208 199)
Water losses	1 846 349	2 561 851
Impairment losses	1 472 202	-
Accrued interest	(278 571)	(657 973)
Movement on employee benefit provision	3 709 936	692 351
Changes in working capital:		
Inventories	1 170 648	(4 815 784)
Receivables from exchange transactions	(12 575 128)	(13 352 051)
Other receivables from non-exchange transactions	1 566 921	(3 363 238)
Construction contracts and receivables	(2 655 051)	2 529 369
Payables from exchange transactions	3 277 380	(8 402 740)
VAT	5 611 937	(4 054 100)
Unspent conditional grants and receipts	8 484 998	2 209 780
Consumer deposits	1 080 448	975 435
Movement in net operating leases	(4 944)	(4 476)
	222 504 098	164 724 995

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46. Repairs and maintenance expenditure		
Movable Assets	6 260 225	5 942 015
Furniture and Office Equipment	31 565	40 133
- Contracted Services	31 565	40 133
Machinery and Equipment	822 944	909 982
- Contracted Services	700 843	779 180
- Inventory Consumed	122 101	130 802
Transport Assets	5 105 385	4 772 410
- Contracted Services	5 105 385	4 772 410
Computer Equipment	300 331	219 490
- Contracted Services	291 831	195 164
- Other Operational Costs	8 500	24 326
Community Assets	2 491 533	2 261 054
- Contracted Services	2 491 533	2 261 054
Other Assets	3 593 278	1 823 978
- Contracted Services	3 593 278	1 823 978
Intangible Assets	1 586 653	2 121 139
- Contracted Services	1 586 653	2 121 139
Infrastructure Assets	39 409 651	42 212 040
Electrical Infrastructure	2 232 161	2 191 664
- Contracted Services	107 636	25 097
- Inventory Consumed	1 073 637	1 173 948
- Labour	1 050 888	985 736
- Other Operational Costs	-	6 883
Roads Infrastructure	10 566 651	16 167 811
- Contracted Services	10 566 651	16 167 811
Sanitation Infrastructure	3 255 064	2 557 512
- Contracted Services	3 255 064	2 557 512
Solid Waste Disposal Infrastructure	6 708 862	5 968 854
- Contracted Services	5 516 738	4 817 811
- Labour	1 188 738	1 145 395
- Other Operational Costs	3 386	5 648
Storm Water Infrastructure	15 454 765	14 251 258
- Contracted Services	669 166	293 958
- Inventory Consumed	26 604	20 945
- Labour	14 290 861	13 472 146
- Other Lease Expenditure	79 440	28 780
- Other Operational Costs	388 694	435 429
Water Supply Infrastructure	1 192 148	1 074 941
- Contracted Services	1 192 148	1 074 941
	53 341 340	54 360 226

47. Non-cash investing and financing transactions

The Municipality was engaged in exchange transactions of non-monetary assets during the year. Various municipal properties were exchanged for similar assets acquired from the registered owners.

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48. Capital commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment - Infrastructure	163 338 626	36 876 853
• Property, plant and equipment - Other	1 367 623	1 751 749
	164 706 249	38 628 602

Total capital commitments

Already contracted for but not provided for

164 706 249 38 628 602

Non-cancellable Operating Lease Commitments are disclosed in Note 9.

Amounts are exclusive of VAT and the amount for infrastructure includes escalation cost.

49. Contingencies

Guarantees in favour of Eskom	70 900	70 900
Guarantees in favour of South African Post Office Limited	100 000	100 000
	170 900	170 900

Bank guarantees provided to Eskom for the supply of electricity to the Municipality for distribution amongst consumers. The guarantees are covered to a large extent by cash deposits recovered from the individual consumers of electricity within the municipal area.

A bank guarantee has been obtained from ABSA Bank and issued to the SA Post Office which serves as security in respect of the payment for the monthly delivery of the municipal accounts.

The plaintiff, Cape Lifestyle Investments Ltd instituted an application in the High Court for eviction of illegal occupiers from private property known as the farm Groene Rivier No. 821 (Chatsworth). The municipality is the fourth respondent. The High Court eviction order was granted to applicant. However, based on technical grounds, the appeal was granted by the Supreme Court of Appeal, and an application for eviction is to be brought *de novo* by the applicants. The matter was heard on 26 April 2019, where (1) the application for citing of the provincial and national housing departments was postponed until 22 May 2019, and (2) a continuation case management meeting was scheduled for 28 June 2019 by Justice Baartman. The matter was postponed indefinitely (*sine die*) on 28 June 2019, pending the outcome of the application to cite the provincial and national housing departments. The joinder hearing took place on 9 March 2020, but was postponed until 1 September 2020.

The plaintiff, AC Appollis made an application at the Western Cape High Court for joinder of Municipality in a claim against Western Cape Health Department for payment of R1 482 145 as a result of WCHD's failure to inform 3rd respondent (fund administrator: Prosperity Management Africa (Pty) Ltd) of her early retirement. Joinder application based on alleged failure by the Municipality to inform the MEC of the terms and conditions of the contract with the fund administrator in terms of which monthly premiums were paid *i.r.o.* AC Appollis since 2007 when personal health services were transferred to the provincial government. A motion of intention to oppose the application was filed during November 2019, and reasons/objections filed on 3 December 2020. To date no hearing date has been set by the applicant.

The plaintiff, Mr MJ Philips instituted a claim in the Western Cape High Court on 25 May 2016 for compensation to be paid by Swartland Municipality, for alleged injuries suffered at Abbotsdale rugby field in the amount of R451 221. Pending the outcome of the case, the amount (if any) to be paid for compensation cannot be determined with sufficient reliability. Combined summons issued by plaintiff on 18 May 2016. Pleas in process of being prepared as at 10 June 2016. No hearing date set by claimant's attorneys as from 30 June 2018.

The plaintiff, Ms Samantha Demoreen Daniels instituted a claim in the High Court on behalf of her minor child for payment by Swartland Municipality of an amount of R5 000 000 (five million rand) plus interest thereon for loss of maintenance and support as a result of the death of Mr Sederic Owies, a former municipal employee during a shooting incident on 23 April 2013 whilst on duty. The claim against the Municipality is based on vicarious liability. Pending the outcome of the case, the amount (if any) to be paid for compensation cannot be determined with sufficient reliability. Matter pending. At 30 June 2016 not clear whether claimant is still going ahead with claim. No movement in matter since January 2015 after filing of special plea. Claimant's attorneys filed their Notice of Withdrawal during April 2019. This matter is now considered finalized.

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49. Contingencies (continued)

The plaintiff, Ms Leah Elizabeth Kay instituted a claim in the High Court for payment by Swartland Municipality of an amount of R2 200 000 (Two million two hundred thousand rand) plus interest thereon for loss of maintenance and support as a result of the death of her son, Mr Sederic Owies, a former municipal employee during a shooting incident on 23 April 2013 whilst on duty. The claim against the Municipality is based on vicarious liability. Pending the outcome of the case, the amount (if any) to be paid for compensation cannot be determined with sufficient reliability. Matter still pending. Not clear whether claimant is still going ahead with claim. No movement in matter since January 2015 after filing of special plea. Claimant's attorneys filed their Notice of Withdrawal during April 2019. This matter is now considered finalized.

The plaintiff, Paulus Smit N.O. instituted an application to WC High Court for order directing the municipality to, inter alia erect a wall between Mr Smit's farm property and that of the Municipality, and directing the municipality to take positive steps to protect the rights of the applicant as owner of Erf 2876, Moorreesburg. The hearing commenced on 25 April 2015 and will be continued on 5 June 2019, after an in loco inspection on same date. No further movement in matter since June 2019.

The plaintiff, Matilda Vries instituted a claim for damages instituted in Malmesbury Magistrate's Court for alleged breach of employment contract for cleaning services rendered in Moorreesburg. Pre-trial meeting took place on 16 May 2019 where claimant's attorneys were requested to submit particulars of alleged damage calculations as well as copies of certain outstanding documents. Trial date to be set once pre-trial issues have all been dealt with. No estimated outcome can be rendered at this stage.

Contingent asset

The municipality currently does not hold rights to any contingent assets. The municipality is involved in the following legal matters as the applicant/plaintiff:

The municipality instituted an application to the High Court to direct the 1st respondent (Auditor-General of South Africa) to amend its final audit report i.r.o. the Municipality's 2018 annual financial report (1) to remove the finding of material non-compliance with the MFMA; and (2) to reflect the audit outcome as a clean audit. The 1st respondent served a notice of its intention to oppose the matter on 18 April 2019 to Council's attorneys of record. Following the replacement of their attorneys of record (i.e. Fairbridges Wertheim Becker with Macrobert Incorporated), the Rule 53 record which was due on 24 April 2019, was received on 17 May 2019. No further progress to date.

The municipality also is involved in various individual building & land use matters, eviction applications, etc.

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50. Related parties

Relationships

Accounting Officer Refer to accounting officer's report note

Other spheres of government and other municipalities

Councillors

Members of key management

Refer to note 33

Services rendered to related parties

During the year the municipality rendered services to the following parties that are related to the municipality as indicated. All of the transactions are at arms-length and therefore disclosure is not required. Disclosure is included in order to ensure compliance with other laws and regulations as applicable.

The rates, service and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel (managers directly accountable to the Municipal Manager). No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Services rendered to key management personnel occurred within normal supplier and customer relationships on terms and conditions no more or less favourable than those which the municipality is reasonable to expect to have adopted if dealing with the individual persons in the same circumstances. These terms and conditions are within the normal operating parameters established by the municipality's legal mandate.

No councillor was in arrears for more than 90 days.

30 June 2020

Councillors
Municipal Manager and Section 57 Personnel

	Rates	Service Charges	Other	Outstanding Balances
Councillors	81 902	421 233	(18 996)	37 026
Municipal Manager and Section 57 Personnel	33 455	141 151	(7 098)	14 628
	115 357	562 384	(26 094)	51 654

30 June 2019

Councillors
Municipal Manager and Section 57 Personnel

	Rates	Service Charges	Other	Outstanding Balances
Councillors	39 559	195 547	(5 653)	24 113
Municipal Manager and Section 57 Personnel	31 788	130 927	(2)	11 805
	71 347	326 474	(5 655)	35 918

Related Party Loans

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004.

Purchases from Related Parties

No purchases were made from related parties that are considered to not be at arms-length. In terms of the municipal accounting policy, transactions and balances that are at arms-length will not be separately disclosed.

The water service concession arrangement would not have been entered into with any party other than a related party. The details of the water service concession arrangement are included in Note 66.

Compensation of key personnel

The compensation of key management personnel is set out in Note 33.

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51. Correction of Statement Financial Performance

The Guideline to Accounting for Arrangements in terms of the National Housing Programme became effective as of 1 July 2019. Furthermore, IGRAP 18: Recognition and Derecognition of Land, and GRAP 109: Accounting by Principals and Agents also became effective during the current year. The effect of these new standards is included in Note 54 where the land portion flowing from Housing Arrangement was accounted for in terms of the new standards as read with the guideline. The guideline also resulted in the adoption of GRAP 11: Construction Contracts. As this standard has been effective for many years, all transactions flowing from the adoption of this standard was regarded as a prior period error.

Other corrections to previous balances and classes of transactions were also identified. The effects of the correction of prior year figures are presented below:

REVENUE	Balance previously reported	Change in Accounting Policy	Balance before prior period error	Prior Period Error	Reclassification	Restated Balance
Property Rates	115 714 745	-	115 714 745	(4 096)	-	115 710 649
Interest received on rates receivables	-	-	-	-	798 137	798 137
Government Grants and Subsidies: Operating	48 045 174	-	48 045 174	-	(48 045 174)	-
Government Grants and Subsidies: Capital	45 838 416	-	45 838 416	-	(45 838 416)	-
Unconditional Government grants	82 048 000	-	82 048 000	-	(82 048 000)	-
Government grants & subsidies	-	(2 153 307)	(2 153 307)	(25 308 650)	175 931 590	148 469 633
Public Contributions and Donations	316 747	-	316 747	-	-	316 747
Donated Property, Plant and Equipment	208 199	-	208 199	-	-	208 199
Fines	27 702 812	-	27 702 812	-	-	27 702 812
Licences and permits	4 029 578	-	4 029 578	1	-	4 029 579
Service Charges	406 226 238	-	406 226 238	(426 370)	-	405 799 868
Construction contracts	-	-	-	26 911 925	-	26 911 925
Rental of Facilities and Equipment	1 528 965	-	1 528 965	4 308	-	1 533 273
Interest Earned - external investments	40 174 471	-	40 174 471	-	(40 174 471)	-
Interest Earned - outstanding receivables	2 614 542	-	2 614 542	-	(2 614 542)	-
Interest received	-	-	-	(9 891)	41 993 465	41 983 574
Income for Agency Services	4 373 231	-	4 373 231	-	-	4 373 231
Operational Revenue	12 368 544	-	12 368 544	133 419	19 716	12 521 679
Total Revenue	791 189 662	(2 153 307)	789 036 355	1 300 646	22 305	790 359 306
EXPENDITURE	Balance previously reported	Change in Accounting Policy	Reclassified balance before prior period error	Prior Period Error	Reclassification	Restated Balance
Employee related costs	193 951 925	-	193 951 925	-	-	193 951 925
Remuneration of Councillors	10 369 396	-	10 369 396	1	-	10 369 397
Bad debts written off	32 708 720	-	32 708 720	-	-	32 708 720
Depreciation and Amortisation	85 907 682	-	85 907 682	237 626	-	86 145 308
Finance costs	14 277 679	-	14 277 679	1 213 782	-	15 491 461
Bulk purchases	194 308 453	-	194 308 453	-	-	194 308 453
Other materials	25 940 064	-	25 940 064	-	-	25 940 064
Contracted services	86 073 565	-	86 073 565	(244 119)	-	85 829 446
Transfers and subsidies	2 565 193	-	2 565 193	1	-	2 565 194
Operational costs	26 023 886	-	26 023 886	437 013	-	26 460 899
Total Expenditure	672 126 563	-	672 126 563	1 644 304	-	673 770 867
Operating Surplus/(Deficit) for the Year	119 063 099	(2 153 307)	116 909 792	(343 658)	22 305	116 588 439

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	Balance previously reported	Change in Accounting Policy	Reclassified balance before prior period error	Prior Period Error	Reclassification	Restated Balance
Impairment losses on assets and receivables	(7 858 078)	-	(7 858 078)	-	-	(7 858 078)
Gains on sale of fixed assets	1 468 768	-	1 468 768	-	-	1 468 768
Gains on sale of land	4 139 583	2 153 307	6 292 890	-	-	6 292 890
Gains on vesting of properties and equipment	5 170 654	-	5 170 654	31 673	(2 774)	5 199 553
Loss on property, plant and equipment	(4 645 446)	(1 318 109)	(5 963 555)	(819)	(19 531)	(5 983 905)
Inventory losses: Water losses	(2 561 851)	-	(2 561 851)	-	-	(2 561 851)
	(4 286 370)	835 198	(3 451 172)	30 854	(22 305)	(3 442 623)
NET SURPLUS/(DEFICIT) FOR THE YEAR	114 776 729	(1 318 109)	113 467 169	(312 804)	-	113 145 816

Refer to Note 52 details of the correction of error and corrections to the Statement of Financial Position. Some amounts were reclassified for presentation and disclosure purposes (combining several lines into a single line and a reallocation of insurance refund).

Property Rates

Adjustment per sub-note c): R4 095 + Rounding Difference R1, Total Restatements: R4 096.

Government grants & subsidies

Adjustment per sub-note e): (R27 461 957).

Licences and permits

Rounding difference: R1.

Service Charges

Adjustment per sub-note c): (R426 370).

Construction Contracts Revenue

Adjustment per sub-note e): R26 911 925.

Rental of Facilities and Equipment

Adjustment per sub-note c): R4 307 + Rounding Difference R1, Total Restatements: R4 308.

Interest received

Adjustment per sub-note c) for an amount of (R108) and sub-note d) for an amount of (R9 783). Total Restatements: (R9 891).

Operational Revenue

Adjustment per sub-note c): R133 417 + Rounding Difference R2, Total Restatements: R133 419.

For the correction of error on **Depreciation and Amortisation** refer to sub-note a) for the amounts of (R22 188), R1 420, R3 927, R196 978 and R4 058 with an additional R2 766 and R50 665 disclosed in sub-note b). Other rounding errors amounted to R1. Total Restatements: R237 626.

For the correction of **finance costs**, refer to sub-note a). A reduction in the amount capitalised to Property, Plant and Equipment of R1 213 818 resulted in an increase in the Finance Costs, while the total movement on the Landfill Site Liability was classified as a reduction in interest (R 36). Total Restatements: R1 213 782.

For the correction of error on **Contracted Services** refer to sub-note c) for the amount of (R1 594), sub-note d) for the amount of R1 475 and to sub-note e) for the amount of (R244 000). Total Restatements: (R244 119).

For the correction of error on **Operational cost** refer to sub-note d). Also note a rounding difference of (R2). Total Restatements: R437 013

Gains on vesting of properties and equipment

Refer to sub-note a) for the movement on additions of R31 673.

Loss on property, plant and equipment

Refer to sub-note a) for the disposal of meters (R817) and a rounding difference of (R2). Total Restatements: (R819).

For the change in accounting policy refer to Note 54.

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52. Correction of Errors

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments.

Changes in Accounting Policies are disclosed in Note 54.

Statement of financial position

2019

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Current Assets		650 069 179	(600 958)	-	-	649 468 221
Cash and cash equivalents		525 326 888	(1 458)	-	-	525 325 430
Receivables from exchange transactions		70 072 635	855 435	-	-	70 928 070
Receivables from non-exchange transactions		27 817 388	(266 151)	-	-	27 551 237
Inventories		17 634 123	(126 851)	-	-	17 507 272
VAT receivable		9 170 112	(1 061 933)	-	-	8 108 179
Operating lease asset		47 342	-	-	-	47 342
Finance lease receivables - short term portion		691	-	-	-	691
Non-current Assets		1 968 321 723	(5 256 362)	(1 318 109)	-	1 961 747 252
Property, plant and equipment		1 920 923 022	3 770 200	195 592	-	1 924 888 814
Investment Property		45 091 092	(9 006 274)	(1 513 701)	-	34 571 117
Intangible Assets		1 185 032	(20 288)	-	-	1 164 744
Heritage Assets		1 119 900	-	-	-	1 119 900
Finance Lease Receivables		2 677	-	-	-	2 677
Total Assets		2 618 390 902	(5 857 320)	(1 318 109)	-	2 611 215 473
Current Liabilities		126 169 262	3 370 872	-	-	129 540 134
Payables from exchange transactions		80 338 303	5 218 146	-	4 700 250	90 256 699
Consumer Deposits		12 750 568	-	-	-	12 750 568
Employee benefit obligation		3 770 907	-	-	-	3 770 907
Other financial liability		11 710 278	-	-	-	11 710 278
Unspent conditional grants and receipts		12 839 117	(4 376 643)	-	-	8 462 474
Provisions		4 700 250	-	-	(4 700 250)	-
Operating Lease Liability		59 839	-	-	-	59 839
Construction contracts and receivables/(payables)		-	2 529 369	-	-	2 529 369
Non-current Liabilities		216 421 720	(36)	-	-	216 421 684
Employee benefit obligation		67 899 606	-	-	-	67 899 606
Other financial liabilities		117 966 271	-	-	-	117 966 271
Provisions		30 555 843	(36)	-	-	30 555 807
Total Liabilities		342 590 982	3 370 836	-	-	345 961 818
Net Assets		2 275 799 920	(9 228 156)	(1 318 109)	-	2 265 253 655
Statutory Funds		3 368	-	-	-	3 368
Reserves		191 815 807	-	-	-	191 815 807
Accumulated Surplus		2 083 980 745	(9 228 156)	(1 318 109)	-	2 073 434 480
Total Net Assets		2 275 799 920	(9 228 156)	(1 318 109)	-	2 265 253 655

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52. Correction of Errors (continued)

(a) Correction of Property Plant and Equipment

IGRAP 18: Recognition and Derecognition of Land as read with the Guideline: Accounting for Arrangements in respect of the Housing Programme as outlined in Change in Accounting Policy Note 54 resulted in an adjustment to the balances previously reported.

In accordance with IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities all movements on the provision was capitalised. In the current year it was discovered that the unwinding of the interest as per paragraph 8 of said interpretation was also capitalised and needed to be reversed. Accordingly, the depreciation charge for the prior period was also affected.

Furthermore, a comparison between the deeds, billing records, town planning records and spatial information (SG Codes), resulted in changes in the classification of land as well as some portions of land being derecognised as these were identified as being duplicated between the inventory lists or disposed in previous years.

The current year reconciliation of water meters and electricity meters included under Infrastructure, identified that some meters were originally included under the incorrect year's additions. An invoice from a supplier also included meters installed during the period ended 30 June 2019. Such invoice was only identified in the current year and therefore the trade payables was also restated by R41 664.

During our review of the depreciation charge for the year it was identified that some assets had very long useful lives. Our investigation identified that the assets' estimated useful lives were converted from months to days. The import of these estimated useful lives erroneously pulled the days in as number of months. The correction affected Property, plant and equipment, Investment Properties and Intangible Assets as described below and under sub-note b.

Increase/(Decrease) in Property, Plant and Equipment

Change in accounting policy: Opening Cost	(280 440)
Change in accounting policy: Additions for the year	476 032
Adjustment to Landfill site provision: Additions for the year (Finance charges on unwinding of landfill site provision)	(1 213 818)
Adjustment to Landfill site provision: Depreciation for the year	22 188
Transfer of Investment property from Property, Plant and Equipment: Opening Cost	(1 039 004)
Transfer of Property, Plant and Equipment from Investment property: Opening Cost	6 526 039
Reversal of incorrect Impairment: Opening Accumulated depreciation and impairment (reversal)	66 909
Reversal of incorrect Impairment: Opening Accumulated depreciation and impairment (recognition of depreciation)	(7 103)
Reversal of incorrect Impairment: Depreciation charge for the year (recognition of depreciation)	(1 420)
Meters timing difference: Opening Cost	84 212
Meters timing difference: Cost Additions for the year	- 31 673
Meters timing difference: Disposals for the year	- (817)
Meters timing difference: Opening Accumulated Depreciation	- (34 424)
Meters timing difference: Depreciation for the year	- (3 927)
Correction of Incorrect EUL's applied in 2015: Opening Accumulated Depreciation	- (463 327)
Correction of Incorrect EUL's applied in 2015: Depreciation for the year	- (196 978)
Other movements (rounding differences)	(3)
	3 965 792

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52. Correction of Errors (continued)

Decrease in Provision for Landfill Site

Adjustment to opening balance	(226)
Change in discount factor	4 064 474
Utilised during the year	46
Increase/(Decrease) due to re-measurement	(4 064 330)
	(36)

Increase/(Decrease) in Intangible Assets

Correction of Incorrect EUL's applied in 2015: Opening Accumulated Amortisation	(16 229)
Correction of Incorrect EUL's applied in 2015: Amortisation for the year	(4 058)
Other movements (rounding differences)	(1)
	(20 288)

(b) Correction of error - Investment Property

IGRAP 18: Recognition and Derecognition of Land as read with the Guideline: Accounting for Arrangements in respect of the Housing Programme as outlined in Change in Accounting Policy Note 54 resulted in an adjustment to the balances previously reported.

Furthermore, a comparison between the deeds, billing records, town planning records and spatial information (SG Codes), resulted in changes in the classification of land as well as some portions of land being derecognised as these were identified as being duplicated between the inventory lists or disposed in previous years.

Increase/(Decrease) in Investment Property

Change in accounting policy: Opening Cost	280 440
Change in accounting policy: Additions for the year	(476 032)
Reversal of depreciation on land: Opening Accumulated depreciation	1 435
Disposal of Investment property as duplicate parcel identified as inventory: Opening Cost	(3 711 529)
Change in accounting policy resulting in disposals: Prior year disposals	(1 318 109)
Transfer of Investment property from Property, Plant and Equipment: Opening Cost	1 039 004
Transfer of Property, Plant and Equipment from Investment property: Opening Cost	(6 526 039)
Land parcel included under the Building: Opening Accumulated Depreciation	384 901
Land parcel included under the Building: Depreciation charge for the year	(2 766)
Correction of Incorrect EUL's applied in 2015: Opening Accumulated Depreciation	(140 617)
Correction of Incorrect EUL's applied in 2015: Depreciation for the year	(50 665)
Other movements (rounding differences)	2
	(10 519 975)

Correction of Inventories

Disposal of duplicate land parcel identified as inventory: Opening Cost	(126 850)
Other movements (rounding differences)	(1)
	(126 851)

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52. Correction of Errors (continued)

(c) Correction of error - Receivables

It is common practice for a municipality to identify billing errors in the current year pertaining to accounts billed in the prior years. The effects of these prior year corrections are summarised below.

The opening balance of traffic fines erroneously included cancelled receipts as new a debtor balance.

Furthermore, annually a refund is receivable from/(payable to) the West Coast District Municipality pertaining to the Water Concession Arrangement as disclosed in Note 66. In the current year it was discovered the VAT treatment on this refund was omitted. The effect on the VAT receivable is disclosed in Note 52(d).

Lastly, during an investigation as to the prior year irregular expenditure, it was identified that an overpayment of R1 594 was made on a transversal contract to the supplier. In turn, the Contracted Services was overstated by same amount and an additional debtor for the recoverable amount needed to be recognised. The money was recovered from the supplier in the current period.

Receivables from Exchange transactions

Correction of Service Charges	(426 370)
Correction of Rental of facilities and equipment	4 308
Correction of Interest received	(108)
Correction of Operational Revenue	133 417
Adjustment to Other receivables in terms of Water Concession Arrangement for VAT due to SARS	1 144 191
Other movements (rounding differences)	(3)
	855 435

Receivables from Non-exchange transactions

Correction of Property rates	(4 095)
Correction of opening balance of traffic fines	(263 650)
Correction to Fruitless and Wasteful Expenditure (Contracted Services reduced)	1 594
	(266 151)

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52. Correction of Errors (continued)

(d) Correction of Payables from exchange transactions

Annual reviews of payments identify accruals that were not included in the prior year of trade payables. The effects of such accruals are listed below.

Other corrections, such as misallocations are also included below.

During the current year, planning for an additional housing project in the Chatsworth region commenced. During the negotiations with the Provincial Department, it was identified that money which was earmarked for the purchase of Land was used to fund civil services and top structure expansion. The receipt was accounted for in terms of an unspent conditional grant in 2012. The conditions attached to such grant receipts were considered to be met during the 2012 and 2013 financial periods. The Department requested that such monies be repaid as it was not spent on the item intended per the agreement. The receipt that needs to be repaid is considered to be a reversal of previously recognised revenue that is currently due and payable to the Provincial Department. After careful consideration, the amount due to the Provincial Department is classified as a payable (in contrast to a conditional unspent grant where we can utilise the receipt to meet future grant related conditions).

Payables from exchange transactions

Correction of accruals prior to 1 July 2018	145 952
Correction of accruals: Operating Costs	437 015
Correction of accruals: Contracted Services	1 475
Correction of Chatsworth Land Grant receipts to be refunded to the Provincial Department (prior to 1 July 2018)	4 500 000
VAT portion of Accrual corrections	92 043
Invoice pertaining to meters as sub note a)	- 41 664
Other movements (rounding differences)	(3)
	5 218 146

VAT receivable

VAT portion of Accrual corrections	92 043
VAT incorrectly accounted for as interest on land sales	(9 783)
Adjustment to VAT receivable in terms of Water Concession Arrangement for VAT due to SARS	(1 144 191)
Other movements (rounding differences)	(2)

(1 061 933)

Cash and cash equivalents

Duplicate receipts reversed (against opening balance of surplus)	(1 458)
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52. Correction of Errors (continued)

(e) Correction of error - Housing Arrangements

During the year, the municipality adopted its accounting policy with respect to the treatment of Construction Contracts. The policy pertaining to Property, Plant and Equipment was also changed to include considerations applied in determining whether the municipality controls the land. In order to conform to the benchmark treatment in of GRAP 11: Construction Contracts, IGRAP 18: Recognition and Derecognition of Land, GRAP 109: Accounting by Principals and Agents as well as the Guideline: Accounting for Arrangements Undertaken in terms of the National Housing Programme. The below summarises the changes made in order to implement GRAP 11: Construction Contracts.

During the investigation to convert the accounting, it was also identified that the prior year revenue recognised on the Riebeek Wes Housing project omitted the final payment and therefore the revenue recognised was restated.

Unspent Conditional Grants

Correction of Riebeek Wes prior year revenue recognised	(1 847 275)
Transfer of Phola Park Unspent grant balance to Construction contracts as it related to expenditure on top structures	(365 693)
Transfer of Riebeek Wes Unspent grant balance to Construction contracts as it related to expenditure on top structures	(2 163 676)
Other movements (rounding differences)	- 1
	(4 376 643)

Construction contracts receivables/payables

Transfer of Phola Park Unspent grant balance to Construction contracts as it related to expenditure on top structures	365 693
Transfer of Riebeek Wes Unspent grant balance to Construction contracts as it related to expenditure on top structures	2 163 676
	2 529 369

Government grants and receipts

Change in accounting policy (Kalbaskraal Land disposal in terms of IGRAP 18)	(2 153 307)
Reversal of transfer fees received - considered to be GRAP 109: Receipts o.b.o. housing beneficiaries	(244 000)
Transfer of Phola Park Government grant and receipts to Construction contracts revenue as it related to expenditure on top structures	(671 029)
Transfer of Riebeek Wes Government grant and receipts to Construction contracts revenue as it related to expenditure on top structures	(26 240 896)
Correction of Riebeek Wes prior year revenue recognised	1 847 275
	(27 461 957)

Construction contracts revenue

Transfer of Phola Park Government grant and receipts to Construction contracts revenue as it related to expenditure on top structures	671 029
Transfer of Riebeek Wes Government grant and receipts to Construction contracts revenue as it related to expenditure on top structures	26 240 896
	26 911 925

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52. Correction of Errors (continued)

(f) Adjustment of surplus for the year

The aforementioned adjustments resulted in adjustments to the accumulated surplus for the year as follows:

Statement of financial position

Adjustment opening balance of accumulated surplus: a) Property, plant and equipment	5 075 409
Adjustment opening balance of accumulated surplus: b) Investment property	(9 079 695)
Adjustment opening balance of accumulated surplus: c) Receivables	(263 650)
Adjustment opening balance of accumulated surplus: d) Payables from exchange transactions	(4 647 410)
Other movements (rounding differences)	(7)
Total opening balance adjustments	(8 915 353)
Adjustments to Statement of Financial Performance (surplus for the year)	(1 639 913)
Other movements (rounding differences)	1
	(10 555 265)

Statement of financial performance

Adjustment to profit or loss for the year: Change in accounting policy	(1 318 109)
Adjustment to profit for the year: a) Property, plant and equipment	(1 376 121)
Adjustment to profit for the year: b) Investment property	(53 431)
Adjustment to profit for the year: c) Receivables	(291 255)
Adjustment to profit for the year: d) Payables from exchange transactions	(448 273)
Adjustment to profit for the year: e) Housing arrangements	1 847 275
Other movements (rounding differences)	1
	(1 639 913)

53. Transitional provisions

Transitional provision for Statutory Receivables

Every effort is made to ensure compliance with this standard, but due to the risk of omission of items due to a lack of experience with implementing this standard, the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and impairment methods for Statutory Receivables.

The transitional period commences from 1 July 2019 and will be utilised until the period ending 30 June 2022.

54. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 20: Related Party Disclosures
- GRAP 32: Service Concession Assets
- GRAP 108: Statutory Receivables
- GRAP 109: Accounting by Principals and Agents
- IGRAP 17: Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
- IGRAP 18: Recognition and Derecognition of Land
- IGRAP 19: Liabilities to Pay Levies
- Guideline: Accounting for Arrangements Undertaken in terms of the National Housing Programme

GRAP 20: Related Parties

During the year, the municipality changed its accounting policy with respect to the treatment of Related Parties in order to conform to the benchmark treatment in of GRAP 20. The update to this standard resulted in additional clarity in terms of the accounting policy. The disclosure note for related parties remains unchanged (refer note 50).

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54. Changes in accounting policy (continued)

GRAP 32 and IGRAP 17: Service Concessions

This standard and interpretation was early adopted in 2018/19.

GRAP 108: Statutory Receivables

During the year, the municipality adopted its accounting policy with respect to the treatment of GRAP 108: Statutory Receivables. The significant judgements were also updated accordingly. The standard does not significantly impact measurement of these receivables, but resulted in additional disclosures as per Note 4.

GRAP 109: Accounting by Principals and Agents

During the year, the municipality adopted its accounting policy with respect to the considerations whether a relationship would result in a Principal or Agent arrangement in order to conform to the benchmark treatment of GRAP 109. The municipality now discloses all transactions for which it regards itself as a Principal or an Agent in Note 67.

IGRAP 18 and Housing Guideline

During the year, the municipality adopted its accounting policy with respect to the treatment of Construction Contracts. The policy pertaining to Property, Plant and Equipment was also change to include considerations applied in determining whether the municipality controls the land. In order to conform to the benchmark treatment in of GRAP 11: Construction Contracts, IGRAP 18: Recognition and Derecognition of Land, GRAP 109: Accounting by Principals and Agents as well as the Guideline: Accounting for Arrangements Undertaken in terms of the National Housing Programme. The effect of IGRAP 18: Recognition and Derecognition of Land on transaction other than those arising from Housing Arrangements were negligible. The impact of IGRAP 18 on the Housing Arrangements resulted therein that some properties were disposed in the prior year (not previously reported). The disposal is proportionate as a portion of the land will remain the property of the municipality in the form of road remainders and public open spaces. Land portions that are made available for other public or private services such as clinics, churches or crèches will be recorded as inventory when the intention to sell is clear or alternatively as Investment Property when the intention to rent the land becomes clear. The adoption of GRAP 11 is considered to be a prior period error and disclosed in Note 52.

IGRAP 19: Liabilities to Pay Levies

This interpretation has no impact on the financial results of the municipality and therefore no changes in the accounting policies were adopted when the interpretation becoming effective.

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54. Changes in accounting policy (continued)

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2019 is as follows:

Statement of financial position

Property, plant and equipment

Transfer from Investment Property as Land is controlled with the aim of disposal for use in a Housing Arrangement	476 032
Transfer to Investment Property as Land is controlled with no future determinable use following a Housing arrangement	(280 440)
	195 592

Investment Property

Transfer from Investment Property as Land is controlled with the aim of disposal for use in a Housing Arrangement	(476 032)
Transfer from Property, Plant and Equipment as Land is controlled with no future determinable use following a Housing arrangement	280 440
Derecognition of Land due to the application of IGRAP 18 and the Housing Arrangements	(1 318 109)
	(1 513 701)

Receivables from non-exchange transactions

Reversal of GRAP 23 Accounting for purchase of Kalbaskraal Land	(2 153 307)
Recognition of Kalbaskraal land in terms of GRAP 9	2 153 307
	-

Accumulated surplus

Adjustment to net surplus for the year - cost of land disposed	(1 318 109)
--	-------------

Statement of Financial Performance

Gains on Sale of Land

Recognition of GRAP 9 revenue due to deemed Kalbaskraal Land disposal in terms of IGRAP 18	2 153 307
	-

Government grants and subsidies

Reversal of GRAP 23 revenue recognition as IGRAP 18 deems the land to be disposed	(2 153 307)
	-

Loss on Property Plant and Equipment

Cost of IGRAP 18 Kalbaskraal land (proportional disposal)	(1 318 109)
	-

Net surplus for the year

Adjustment to profit for the year - cost of land disposed	(1 318 109)
	-

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55. Change in estimate

Property, plant and equipment

The Municipality has reassessed the useful lives of Property, plant and equipment, Intangible assets and residual values of Property, plant and equipment which resulted in changes in depreciation and amortisation charges, the carrying value of property plant and equipment as well as accumulated depreciation. The effect of the change in accounting estimate has resulted in the following movements for the current and future periods on the affected capital assets.

Movement in depreciation	2020	2021	2022	2023
Before change in estimate	4 831 614	6 079 386	2 878 692	2 287 626
After change in estimate	(3 250 740)	(3 845 311)	(3 688 248)	(1 330 395)
Net effect: decrease/(Increase) in depreciation charge for the period	1 580 874	2 234 075	(809 556)	957 231

Property, plant and equipment - Review of Landfill Site Available Airspace

During the year experts were appointed to evaluate the available airspace remaining on the landfill sites being used by the municipality to store solid waste. The review of the airspace resulted in a reduction of the estimated number of years for the Darling and Highlands sites from 60 to 25 years and 29 to 26 years respectively. This reduction resulted in an increase of depreciation for each of the future periods as follows:

Movement in depreciation	2020	2021	2022	2023
Before change in estimate	(3 275 878)	(2 469 133)	(2 469 133)	(2 469 133)
After change in estimate	3 408 520	2 601 775	2 601 775	2 601 775
	132 642	132 642	132 642	132 642

Provision for Bad Debts

The provision for bad debts was previously estimated based on the payment rates each of the wards within the municipality. This method was deemed appropriate as the annual amounts for bad debts written off was similar to that of the impairment recognised in previous years. As a consequence of the National Lockdown, households were severely impacted and the approach was changed to ensure that the individual account holders were assessed individually. The effect of this change on future periods cannot yet be estimated, but the impact of the change on the provision for impairment for the current period is indicated below. The impact is limited to Consumer Debtors inclusive of Rates.

Change in estimated Provision for Bad Debts	2020	2019
Under group basis	(71 868 584)	-
Under individual basis	73 405 492	-
Effect of change in estimate	1 536 908	-

56. Comparative figures

Certain comparative figures have been reclassified as indicated in Notes 51 and 52. These reclassifications were made to simplify the presentation and disclosure.

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57. Financial instruments disclosure

Categories of financial instruments

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Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	19 265	630 346 632	630 365 897
Receivables from exchange transactions	-	83 781 769	83 781 769
Construction contracts	-	125 682	125 682
Finance lease receivables	-	2 677	2 677
	19 265	714 256 760	714 276 025

Financial liabilities

	At fair value	At amortised cost	Total
Payables from exchange transactions	-	77 373 031	77 373 031
Consumer Deposits	13 831 016	-	13 831 016
Unspent conditional grants and receipts	-	16 850 005	16 850 005
Other financial liabilities	-	117 966 272	117 966 272
	13 831 016	212 189 308	226 020 324

2019

Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	21 431	525 303 999	525 325 430
Receivables from exchange transactions	-	70 928 070	70 928 070
Finance lease receivables	-	3 368	3 368
	21 431	596 235 437	596 256 868

Financial liabilities

	At fair value	At amortised cost	Total
Payables from exchange transactions	-	73 444 754	73 444 754
Consumer Deposits	12 750 568	-	12 750 568
Unspent conditional grants and receipts	-	8 462 474	8 462 474
Other financial liabilities	-	129 676 549	129 676 549
Construction contracts	-	2 529 369	2 529 369
	12 750 568	214 113 146	226 863 714

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58. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits, implement controls and monitor adherence.

Due to the large non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's Performance and Risk Audit committee, an independent body that monitors the effectiveness of the internal audit function.

The highest risk indicator for the current year was the national lockdown which resulted in higher impairment rates in comparison to previous years.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation. A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed below.

Consumer Deposits (*) are disclosed at the value that could be repayable in the following year. It is unlikely that the full balance would become payable as consumer accounts are expected to remain similar year to year. By implication, if the consumer deposit is paid, a similar receipt from a different customer would be expected. The balance is however disclosed in order to indicate a conservative liquidity risk.

Previously, the Other financial liabilities' maturity analysis was disclosed inclusive of interest payable. Upon reconsideration, it was thought more prudent to disclose only the capital portion due as this balance affects the liquidity as at 30 June 2020. The balance at year end is therefore comparable to the maturity analysis. Only the capital is due as at year end, while interest only accrues in the future (future costs not taken into account).

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Cash flow forecasts are prepared and management expects adequate cash on hand to meet the municipality's obligations. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved by means of the increasing in tariffs and the continuous utilisation.

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58. Risk management (continued)

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	77 373 031	-	-	-
Consumer deposits (*)	13 831 016	-	-	-
Unspent conditional grants and receipts	16 850 005	-	-	-
Other financial liabilities	10 017 935	8 463 163	26 847 895	72 637 279
At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	73 444 754	-	-	-
Consumer deposits (*)	12 750 568	-	-	-
Unspent conditional grants and receipts	8 462 474	-	-	-
Other financial liabilities	11 710 277	10 017 935	8 463 163	99 485 174
Construction contracts	2 529 369	-	-	-

Credit risk

Credit risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities. Maximum exposure to credit risk is not covered by collateral unless otherwise specified. Each class of financial instrument is disclosed separately.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality exposure to the credit risk is wide-spread, but a single significant debtor, Sasko (Pty) Ltd can be noted as disclosed in Note 3.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
Cash and cash equivalent	630 365 897	525 325 430
Receivables from exchange transactions	83 781 769	70 928 070
Construction contracts	125 682	-
Finance lease receivables	2 677	3 368

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note 49 for additional details.

The gross balance from receivables has been grouped into risk groupings (Group 1-3). Group 1 are those debtors with a high certainty of timely payment. Risk of non- payment is considered to be low as these receivables maintained a payment rate of more than 70 %. Group 2 are those debtors with a reasonable certainty of timely payment. The risk of non- payment is considered to be moderate as these receivables maintained a payment rate of 50 - 70 % during the year. Group 3 are those debtors for which the risk factors of non- payment are larger as these receivables had a payment rate of below 50 % during the year.

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58. Risk management (continued)

Gross balances of receivables from exchange transactions	2020	2019
Group 1	71 584 381	55 926 392
Group 2	4 816 980	677 046
Group 3	51 165 303	35 079 810
	127 566 664	91 683 248

Market risk

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term debtors, consumer debtors, other debtors, and bank and cash balances.

The municipality is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates.

At 30 June 2020, if interest rates on Rand-denominated borrowings had been 2% higher/lower (200 basis points) with all other variables held constant, post-tax surplus for the year would have been R 11 272 577 (2019: R 8 687 140) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

59. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	-
Current year subscription / fee	2 403 347	2 135 153
Amount paid - current year	(22 237)	(2 092 655)
Amount paid - previous years	-	(42 498)
Balance unpaid (included in creditors)	2 381 110	-

Audit fees

Opening balance	530 706	-
Current year subscription / fee	2 976 044	3 189 874
Amount paid - current year	(2 976 044)	(2 659 168)
Amount paid - previous years	(530 706)	-
Balance unpaid (included in creditors)	-	530 706

VAT

VAT receivable	2 496 242	8 108 179
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VAT output payables and VAT input receivables are shown in Note 8.

All VAT returns have been submitted by the due date throughout the year.

PAYE and UIF

Opening balance	-	-
Current year subscription / fee	35 401 062	30 340 934
Amount paid - current year	(35 401 062)	(30 340 934)
Balance unpaid (included in creditors)	-	-

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	57 712 364	50 181 677
Amount paid - current year	(57 712 364)	(50 181 677)
Balance unpaid (included in creditors)	-	-

Councillors' arrear consumer accounts

During the financial year under review no Councillor was in arrears with the settlement of their municipal accounts.

Non-compliance with Chapter 11 of the Municipal Finance Management Act

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The incidents as listed below have been condoned.

Incident

Deviations above R30 000 due to Emergencies (occurrences: 23 (2019: 7))	2 376 940	490 175
Deviations above R30 000 due to Sole Supplier deviations (occurrences: 6 (2019: 4))	394 116	274 620
Deviations above R30 000 emanating from responses to COVID 19 (occurrences: 14)	1 495 744	-
Deviations based on section 2(6) of Supply Chain Policy - Impractical to obtain quotes - Attorneys (occurrences: 46 (2019: 1))	2 085 888	2 767 769
Deviations based on section 2(6) of Supply Chain Policy - Impractical to obtain quotes - special goods/services (occurrences: 3 (2019: 7))	588 744	3 010 170
Deviations based on section 2(6) of Supply Chain Policy - Impractical to obtain quotes - repairs and services to specialised equipment or vehicles (occurrences: 378 (2019: 3))	3 252 197	3 494 748
Deviations below R30 000 (occurrences: 425 (2019: 407))	3 660 424	3 447 452
Deviations below R30 000 emanating from responses to COVID 19 Related (occurrences: 13)	144 886	-
	13 998 939	13 484 934

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Material losses: Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity Losses

Units purchased	201 260 105	197 240 434
Units sold	(189 163 586)	(186 155 146)
Units lost during distribution	12 096 519	11 085 288
	6,01%	5,62%

Electricity Losses occur due to inter alia, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing occurrence, with regular actions being taken against defaulters. Faulty meters are replaced as soon as it is reported.

Water distribution losses

Kilolitres purchased	4 317 323	3 774 907
Kilolitres sold	(3 537 873)	(3 143 764)
Kilolitres lost during distribution	779 450	631 143
Percentage lost during distribution	18,05%	16,72%

Water Losses occur due to inter alia evaporation, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing occurrence, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as it is reported.

Disclosure of awards of more than R2 000 to a person who is a family member of a person in the service of the state in terms of section 45 of the Municipal Supply Chain Regulations:

Service Provider	Relation to Service Provider	Name of Relation in the Employment of the Organ of State	Organ of State	Position of the person in the employment of the Organ of State	Value of Transaction 2020 R	Value of Transaction 2019 R
Neil Lyners and Associates (RF) (Neil Lyners)	Brother	H Lyner	WCGTPW	Chief Engineer	1 362 645	2 765 033
WJ Cotter Electrical (J Cotter)	Father in law	T van Essen	Swartland Municipality	Mayor	311 237	301 079
WJ Cotter Electrical (R Crawford)	Father in law	T van Essen	Swartland Municipality	Mayor		
Lumico (Pty) Ltd (D Malherbe)	Father in law	L Fourie	Swartland Municipality	Strategic management	98 900	73 361
Euraf Agencies CC (P Fourie)	Spouse	R Fourie	Department of Correctional Services	Financial Manager	224 945	140 865
Golden Rewards 1873 cc t/a Futasia Caterers (Suenelle De Jager)	Spouse	R De Jager	Department of Education	Teacher	34 300	121 245
Jonathan Wayne Lawrence t/a J Lawrence (J Lawrence)	Son	Bjorn	Swartland Municipality	General Worker	40 200	42 070
JPCE (J Minnie)	Spouse	J Minnie	City of Cape Town	Head : Disaster Operations Centre	1 734 891	641 955

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)						
Aurecon South Africa (B Esterhuizen)	Parent	HG Esterhuizen	West Coast District Municipality	Senior Manager - Roads	10 116 701	4 307 166
Aurecon South Africa (M Botha)	Parent	T Botha	Oudtshoorn Municipality	Technical Manager		
Aurecon South Africa (CJ Barry)	Parent	CJ Barry	City of Cape Town	Transport Department - Head of Finance		
Aurecon South Africa (LR Bleazard)	Sibling	KA Bleazard	Department: Western Cape Government Transport & Public Works	Chief Architect		
Aurecon South Africa (D Maduray)	Spouse	R Reddy-Maduray	Development Bank Southern Africa	Project Preparation Specialist		
Aurecon South Africa (M Mayekiso)	Uncle	D Mayekiso	Department of Local Government and Traditional Affairs	Assistant Director		
Aurecon South Africa (N Ntsebeza)	Spouse	D Ntsebeza	Buffalo City Metropolitan Municipality	Sanitation Engineering Manager		
Aurecon South Africa (N Ntsebeza)	Sibling	M Ntsebeza	Gauteng Department of Health: Springs Hospital	Doctor		
Aurecon South Africa (N Ntsebeza)	Cousin	N Ntsebeza	Intsika Yethu Municipality	Admin Clerk		
Aurecon South Africa (CA Jacobs)	Spouse	J Jacobs	Department of Education	Personal Assistant to Eastern Cape Chief Director		
Aurecon South Africa (SM Grobbelaar)	Parent	SM Grobbelaar	Northern Cape Department of Cooperative Governance	Town and Regional Planner		
Aurecon South Africa (H Pansegrouw)	Spouse	PW Pansegrouw	Drakenstein Municipality	Senior Manager: Technical Services and Project Management		
Aurecon South Africa (BJ Kriegler)	Parent	BJ Kriegler	Cape Winelands District	Councillor		
Aurecon South Africa (M Vermeulen)	Parent	PC Vermeulen	Municipality & Breede Valley Municipality			
			City of Cape Town	Superintendent: Building Maintenance		

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Aurecon South Africa (JE Venter)	Spouse	ZC Venter	Department of Health - Eastern Cape	Deputy Director - Employment Relations
Aurecon South Africa (FJ Heyns)	Parent	A Heyns	Stellenbosch Municipality	Assistant Superintendent - Workshop Engineering Roads Engineer
Aurecon South Africa (JG Robertson)	Parent	JM Robertson	Ekurhuleni Metropolitan Municipality	
Aurecon South Africa (KP Nadasen)	Wife	K Nadasen	National Department of Public Works	Director: Key Account Management
Aurecon South Africa (LP O'Connell)	Spouse	SM O'Connell	Sol Plaatje Municipality	Librarian
Aurecon South Africa (N Govender)	Child	T Govender	Umgeni Water	Fleet Maintenance Administrator - Asset Management
Aurecon South Africa (DL Erasmus)	Spouse	WZ Erasmus	Cape Nature	Program Manager
Aurecon South Africa (RJ Ahlschlager)	Spouse	HC Ahlschlager	Special Investigating Unit	Legal Representative
Aurecon South Africa (ME Higgs)	Spouse	JH Higgs	SARS	Regional Manager
Aurecon South Africa (VA Hougaard)	Spouse	A Hougaard	Department of Correctional Services	Principal Network Controller
Aurecon South Africa (DJ Moore)	Parent	AJ Moore	Department of Water Affairs	Chief Engineer
Aurecon South Africa (S Pretorius)	Parent	PS Pretorius	Sol Plaatje Municipality	Chief Officer - Community Services
Aurecon South Africa (E Riekert)	Spouse	JH Riekert	SA Reserve Bank	Manager: Operations
Aurecon South Africa (I Gasant)	Sister	S Seegers	City of Cape Town	Head of Security Architecture
Aurecon South Africa (TJ Duvenhage)	Spouse	Dr M Skead	Nelson Mandela Bay Metropolitan University	Senior Manager
Aurecon South Africa (L Tebane)	Parent	R Tebane	Ekurhuleni Metropolitan Municipality	Executive Manager
Aurecon South Africa (E Tredoux)	Spouse	J Tredoux	Department of Water Affairs	Deputy Director - Accounts Payable
Aurecon South Africa (JL Du Plessis)	Father-in-law	M Van Rensburg	Eskom	Executive at Transmission Department

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Aurecon South Africa (WJP Wilkins)	Parent	J Wilkins	Correctional Services	Vice Director - Provincial Specialist Category Manager		
Aurecon South Africa (N Mjoli-Mncube)	Child	T Mncube	Airports Company South Africa			
Iomu Trading (E Appollis)	Spouse	AC Appollis	Department of Correctional Services	Correctional Officer	62 972	296 033
Circuit Breaker Industries t/a CBI Electric: Low Voltage (J Paul)	Wife	S Paul	Eskom	Transmission	64 331	60 756
Fonnies Enterprises (BA Adonis)	Sister	T Adonis	Statistics SA	Data Capturer	113 186	185 430
Fonnies Enterprises (Brent Angelo Adonis)	Brother	A Adonis	Metro EMS	Rescue Technician		
Roja Contractors and Traders (J Liedeman)	Son	Julrich	Swartland Municipality	General Worker	82 057	86 590
Ritter Gas Services & Supplies (M Ritter)	Stepmother	L Ritter	City Of Cape Town	Buyer	7 107	4 880
Yolanda Petersen - Petersen Tuindienste (Y Petersen)	Spouse	R Petersen	Department of Correctional Services	Correctional Officer	71 800	58 650
Thembile Petrus Dapula t/a T P Dapula (TP Dapula)	Spouse	N Dapula	West Coast TVET College	Deputy Principal	13 415	10 920
Hydrometrix Technologies (I De Beer)	Child	L Taylor	Department of Education	Therapist	18 730	-
WAB Printmedia (W Brink)	Spouse	A Brink	Drakenstein Municipality	Clerk	43 835	25 417
Blackbird 49 - Koos Smit (K Smit)	Spouse	M Smit	Swartland Municipality	Clerk	82 750	63 800
Webber Wentzel (J Watson)	Brother	E Watson	Road Accident Fund	CEO	169 119	1 319 445
Webber Wentzel (J Watson)	Mother	E Watson	Department of Public Service	Official		
Webber Wentzel (J Smit)	Father	JCL Smit	Beaufort West Municipality	Director: Engineering Services		
Webber Wentzel (P Singh)	Father	D Singh	Department of Basic Education-KZN	Government Official		
Webber Wentzel (P Singh)	Mother	P Singh	Department of Basic Education-KZN	Government Official		
Altimax (Pty) Ltd (M De Kock)	Spouse	H De Kock	SITA	Consultant	97 060	126 960
Altimax (Pty) Ltd (C Henning)	Spouse	AF Henning	Mango Airline Pilot			
Cyote Fire Services (M Muller)	Spouse	B Muller	Department of Health	Nurse	17 765	17 096
Mubesko Africa (Pty) Ltd (Hendrik Niehaus)	Spouse	J Niehaus	Department of Health: Northern Cape	Dietrician	97 474	9 798
Mubesko Africa (Pty) Ltd (B Saaiman)	Spouse	L Saaiman	Department of Education: Western Cape	Curriculum Advisor		

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)						
Redhill Electronics (E Hartley)	Spouse	L Hartley	Department of Education	Teacher	176 541	-
Swartland and West Coast Trading (Pty) Ltd (L Marcus)	Spouse	H Marcus	Department of Labour	Supervisor	24 750	59 898
CONLOG (L Moodley)	Spouse	N Moodley	Department of Health	Director	173 928	-
F Bocks Construction (F Bocks)	Spouse	S Bocks	Department of Correctional Services	Correctional Services Official	29 978	126 159
Fairbridges Wertheim Becker (A Peterson)	Brother	S Hofmeester	Department of Education	Teacher	-	44 485
Fairbridges Wertheim Becker (A Peterson)	Father in Law	H Rauch	Petrosa	Programme Manager		
K And W Projects (K De Bruyn)	Brother	A De Bruyn	City of Cape Town	Civil engineer	-	79 850
Terblanche Slabber Pieters (SSD Terblanche)	Spouse	M Terblanche	Swartland Municipality	Director	36 708	260 046
Zwaan Construction (S Zwaan)	Spouse	A Zwaan	Swartland Municipality	Cashier	15 120	21 590
Swartland Auto Care (V Mcquire)	Parent	V Mcquire	Swartland Municipality	Councillor	6 458	9 550
					15 328 903	11 260 127

COVID-19 Response expenditure

Background information

On 23rd March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30th March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster. The additional measures gave rise to additional government receipts (no similar grants were receipts in the comparative period).

On 23 July 2020, President Cyril Ramaphosa stated that there have been allegations regarding fraudulent UIF claims, overpricing of goods and services, violation of emergency procurement regulations, collusion between officials and service providers, abuse of food parcel distribution and the creation of fake non-profit organisations to access relief funding. The disclosure below is therefore provided in order to present the COVID 19 expenditure as transparent as possible to the communities we serve.

The table below indicates the total Covid-19 response expenditure for the period ending 30 June 2020:

Summary per expense objective

General - not specifically acquired for a single objective	2 446 570	-
Community and social services	1 183 890	-
Public services	36 837	-
Health	739	-
	3 668 036	-

As at 30 September 2020 the municipal total Covid-19 expenditure (year-to-date) amounted to R6 149 053. The movement from 30 June 2020 is mainly due to the overtime worked by the Protection Services (R2 215 354 for the three months ended 30 September 2020).

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

The above expenditure pertained to the following items

General

Disaster Relief Grant: Personal protective clothing and other items	119 000	-
General - Other	371 572	-
Overtime	1 787 467	-
Protective clothing, masks	151 930	-
Sanitising of buildings	16 601	-
Community and social services		
Chemical toilets for the homeless	13 927	-
Community and awareness campaigns	14 000	-
Feeding of the homeless and issuance of food parcels	1 155 963	-
Public services		
Public safety - other	36 837	-
Health		
Cost of screening and testing	739	-
	3 668 036	-

Note: General-other consist of purchasing of sanitizers, thermometers, office screens, etc.

The above expenditure was funded by a special Covid-19 grant income (R850 000 + R119 000), the municipality's own funds (R2 693 073) and a private donation of R5 963.

60. Unauthorised expenditure

Opening balance as previously reported	9 666 715	6 665 365
Opening balance as restated	9 666 715	6 665 365
Add: Expenditure identified - current	1 107 201	9 666 715
Less: Approved/condoned/authorised by council	(9 666 715)	(6 665 365)
Closing balance	1 107 201	9 666 715

The department of Development services budget was overspend by an amount of (2019: R9 373 213). The revenue has increased accordingly. The Department received funding for Housing Top Structure from the Department of Human Settlement. Due to a misinterpretation of the circular, the expense occurred which was not budgeted for. After consultation with Provincial Administration Western Cape it was decided that the expenditure was for the account of the Municipality which resulted in the overspending of the amount as it was not budgeted.

The department of Corporate Services budget was overspend by an amount of (2019: R293 502) due to the Deprecation expenses not budgeted correctly. This is a non- cash transaction.

The department of Financial services budget was overspend by an amount of R1 107 201 (2019: R0). This is mainly as a result of the deemed capital expenditure due to the vesting of properties. The revenue has increased accordingly. This is a non- cash transaction.

61. Fruitless and wasteful expenditure

Opening balance as previously reported	6 496	2 940
Opening balance as restated	6 496	2 940
Add: Expenditure identified - current	20 000	4 902
Less: Amounts recovered - prior period	(2 594)	-
Less: Amount written off - current	(15 000)	-
Less: Amount written off - prior period	(3 902)	(2 940)
Add: Irregular Expenditure - considered to be fruitless expenditure	-	1 594
Closing balance	5 000	6 496

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61. Fruitless and wasteful expenditure (continued)

The prior year expenditure related to a double payment which the ex-employee was due to repay. To date, only R1 000 was recovered and the rest of the amount was written off by council after attempts to recover the outstanding balance failed.

The current year expenditure pertains to excess payments following damages to municipal vehicles. Three instances was noted, but only in two of the cases and excess was payable. The first case, damages to a frontend loader was investigated and it was agreed the employee is not responsible resulting in the amount be written off. The remaining case is still under investigation at year end.

Furthermore, an amount of R1 594 was previously considered to be irregular. Following an investigation as to the irregular expenditure it was identified that the municipality overpaid an invoice. This amount was subsequently recovered from the supplier in June 2020.

62. Irregular expenditure

Opening balance as previously reported	9 051 726	-
Opening balance as restated	9 051 726	-
Add: Irregular Expenditure - current	-	953 705
Add: Irregular Expenditure - prior period	-	8 099 615
Less: Approved/Condoned by Council - prior period	(9 051 726)	-
Less: Irregular Expenditure - considered to be fruitless expenditure	-	(1 594)
Closing balance	-	9 051 726

The expenditure was incurred on alternative emergency water sources whereby SCM Regulation 32 was utilised as management deemed the requirements of said regulation appropriate to not follow a competitive bidding process given the specific set of circumstances that existed and experienced during the water crises and the declared disaster in 2017-2018. The auditor has in the current year, pursuant to two court cases in KwaZulu Natal and the Eastern Cape, found the expenditure to fall short of Regulation 32 as new contracts were entered into with the service providers procured under Drakenstein Municipality tenders for water and the Cape Winelands Municipality for training.

Insufficient grounds existed to regard the expenditure as irregular and it is therefore recommended to Council that it does not warrant a full investigation to determine if any official of the municipality committed an act of financial misconduct.

Furthermore, an amount of R1 594 was previously considered to be irregular. Following an investigation as to the irregular expenditure it was identified that the municipality overpaid an invoice. This amount was subsequently recovered from the supplier in June 2020.

63. Multi-employer retirement benefit information

The personnel of the Swartland Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Local Authority Retirement Fund, The Consolidated Retirement Fund for Local Government, The National Municipal and Related Services Employee Retirement Fund and The National Fund for Municipal Workers are defined contribution plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not nationally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The rate of contributions is provided below under each fund.

Each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality in respect of the defined contribution plans is to make the specified contributions.

LOCAL AUTHORITY RETIREMENT FUND

Swartland Municipality

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63. Multi-employer retirement benefit information (continued)

The Local Authority Retirement Fund operates as a defined contribution scheme.

The defined contribution scheme is a multi-employer plan and the contribution rate payable is 9,00% by the members and 18,00% by Council. The last valuations performed for the year ended 30 June 2019 (30 June 2016) had an overall funding level of 103,50% (2016: 106,10%) and is in a sound financial position. The next interim actuarial valuation will be as at 30 June 2020.

CONSOLIDATED RETIREMENT FUND FOR LOCAL GOVERNMENT

The contribution rate paid by the members (9,00% by employees, 7,50% by section 57 employees and 12,00% by councillors) and by Council (18,00% for employees, 19,50% for section 57 employees and 15,00 % for councillors) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2019 (30 June 2016) revealed that the fund had a funding level of 100,30% (100,50%). Certified to be of a sound financial position as at 30 June 2019.

NATIONAL MUNICIPAL AND RELATED SERVICES EMPLOYEE RETIREMENT FUND

The contribution rate payable is 7,50% by the members 18% by Council. Actuarial valuation on this fund is performed every three years, and the last valuation performed for the year ended 30 June 2014 (30 June 2011) certified that the fund is in a sound financial state. The funding level was 111,70% at valuating date (2011: 111,10%).

NATIONAL FUND FOR MUNICIPAL WORKERS

The above mentioned fund is a Defined Contribution Fund and the contribution rate paid by the members is 9,00% and 7,50% by section 57 employees and that of council 18,00% and 19,50% respectively. The latest statutory valuation was done on 30 June 2018 (30 June 2015). As at 30 June 2018 the results state that the funding level was 100,46% (2015: 100,42%).

Employers do not have any liability for any fund's performances or deficits. None of the above mentioned plans are state plans.

64. In-kind donations and assistance

The municipality received services in-kind under voluntary or non-voluntary schemes which included free training, workshops and technical assistance from government departments and entities. These services in-kind have not been recognised as they were assessed not to be significant to the municipality's operations and/or basic service delivery objectives and are not measurable.

65. Utilisation of Long-term liabilities reconciliation

Long-term liabilities (See Note)	117 966 272	129 676 549
Used to finance property, plant and equipment	(117 966 272)	(129 676 549)
Subtotal	-	-
Cash set aside for the repayment of long-term liabilities	10 017 935	11 710 278
Cash invested for repayment of long-term liabilities	10 017 935	11 710 278

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that the upcoming annual payment for long- term liabilities can be made.

66. Service Concession Arrangements

In terms of the Municipal Systems Act, Bulk Water service falls under the domain of the District Municipality which would mean that these assets would fall under West Coast District Municipality, however authority was given by way of a Government Gazette notice whereby the Local Municipalities of Bergvliet, Swartland and Saldanha Bay would be given Water Service Authority Status and be responsible for the provision of the Bulk Water Function. (Refer to the section on the legislative framework for further details with regards to legislative and regulatory environment)

This effectively meant that this function was taken over from the District Municipality. At this stage the assets should in effect have been transferred to the Local Municipalities.

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66. Service Concession Arrangements (continued)

In terms of the Section 78 Study dated August 2005 a decision was made to maintain the status quo, whereby West Coast District Municipality would continue to operate the water function on behalf of the three local municipalities (Swartland, Saldanha bay and Bergvlier), the agreement was for a period of 10 years and the function ultimately remains that of the Local Municipalities. Currently the agreement is cancellable by either of the parties, but it is unlikely that the agreement would be terminated in the foreseeable future. No changes to the arrangement were made during the current or previous financial periods, but minor administrative matters are constantly being addressed (e.g. procurement strategies). No breaches by either or the parties have been identified to date.

In return for operating the Bulk Water service function the District would receive compensation as follows:

- a) Monthly Tariff Fee
- b) Administrative fee equal to 10% of the operating costs

The Local Municipalities are thus in control of the Bulk Water assets, and as a result these assets should be recognised, measured and disclosed in our financial records.

The effect of the service concession arrangement in the financial statements of the municipality can be summarised as follows:

Property Plant and Equipment			
Infrastructure (Water)		101 286 035	104 301 705
Borrowings			
Long term loans		(8 249 496)	(16 353 730)
Expenditure relating to the Service Concession Arrangement			
Depreciation	3 195 478	3 186 046	
Impairment of Property, plant and Equipment	10 197	-	
Finance Charges	967 079	1 727 867	
Total Water Purchased from District	14 501 005	15 229 303	
Purchased at agreed rate	27 759 264	22 849 576	
Adjusted for Distribution (Gains)/Losses	(13 258 259)	(7 620 273)	

No revenue is receivable by the municipality in terms of the arrangement. The municipality's water purchases are generated through this arrangement.

The loans are registered in the name of West Coast District Municipality, but have been entered into solely to finance the purchase or upgrade of the service concession assets. For this purpose, the loans have been apportioned to each municipality within the district in relation to the approximate value of the infrastructure assets purchased by the operator (West Coast District Municipality).

Service Concession Assets

Included in the total for Property, Plant and Equipment are assets that are separately attributable to the service concession arrangement between the municipality and West Coast District Municipality which has assumed the responsibility for the water distribution on behalf of the municipality. The carrying values of these assets are disclosed below:

Infrastructure: Water	101 286 035	104 301 705
-----------------------	-------------	-------------

Reconciliation of Carrying Amounts of Service Concession Assets

Opening Balance (Carrying Value)	104 301 705	107 437 357
Additions	190 005	50 394
Depreciation	(3 195 478)	(3 186 046)
Impairment of assets	(10 197)	-
Total Carrying Amounts of Service Concession Assets	101 286 035	104 301 705

Service Concession Borrowings

Swartland Municipality

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66. Service Concession Arrangements (continued)

Included in the total for Borrowings are loans that are separately attributable to the service concession arrangement between the municipality and West Coast District Municipality which has assumed the responsibility for the water distribution on behalf of the municipality. The carrying values of these liabilities are disclosed below:

Loan Name	Redemption date	2020	2019
Development Bank 6100 7028	31/12/2022	3 000 000	3 834 990
Development Bank 6100 1005	30/06/2020	-	1 025 315
Development Bank 6100 1006	30/06/2020	-	5 400 000
ABSA	01/02/2021	2 249 496	6 093 425
Total Carrying Amounts of Service Concession Borrowings		5 249 496	16 353 730

The loans bear variable interest rates between 8.61% and 10.87% (2019: 6% and 13%) per annum.

67. Accounting by principals and agents

The entity is a party to principal-agent arrangements.

Details of the arrangements are as follows:

Licensing fees collected on behalf of the Provincial Department

The municipality collects licencing fees on behalf of the Provincial Department of Transport and Public Works. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Income from Agency Services in the Statement of Financial Performance. The amounts due to the Provincial Department at year end are included in the balances reported as Payables from Exchange Transactions in the Statement of Financial Position.

The municipality does not incur any expenses on behalf of the Provincial Department. No significant risks are noted to arise from the arrangement as the municipality merely collects monies on behalf of the department as part of its existing service offering at the traffic department and municipal cashier collection points. No resources are held on behalf of the Provincial Department (other than the receipts). Monies are paid to the department every 5 days (or first business day thereafter).

Housing Arrangements

The Department of Housing has the mandate to provide basic housing to all citizens. The Provincial Department of Housing has entered into arrangements with the municipality in order to provide housing to those in need. In terms of the Guideline: Accounting for Arrangements in respect of the National Housing Programme, each individual transaction and arrangement is carefully considered in order to ensure the correct accounting treatment. Some deliverables meet the requirements of Construction Contracts (as we are considered the principal in these deliverables) whilst other deliverables are for the benefit of the municipality in the form of funding to install civil services. Furthermore, other deliverables are for the benefit of the beneficiaries of the housing. The installation of civil services is accounted for in terms of GRAP 23: Revenue from Non-exchange transactions, as conditional grants. Other deliverables for the benefit of the municipality results in the acquisition of land which is accounted for in terms of GRAP 9: Revenue from Exchange Transactions. Certain transactions meets the definition of services rendered and are accounted for as Other Revenue. The sale of land forms part of gains and losses disclosed. Other deliverables are not for the benefit of the municipality, but rather directly received and paid for the benefit of the beneficiaries of the housing project. These expenses are not accounted for by the municipality as per the principles of GRAP 109.

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67. Accounting by principals and agents (continued)

Other Arrangements

The municipality has entered into arrangements with service providers where they provide services to the public on behalf of the municipality. The nature of these arrangements was assessed and since the municipality collects all revenues in full, the transactions are not considered to be those within the scope of GRAP 109. The types of arrangements considered for this purpose are:

- Traffic fines are issued on our behalf by a service provider.
- Various prepaid electricity vendors sell electricity on our behalf. The software used results in all transactions being recorded in our sub-system. We collect the cash receipts from the vendors daily. Prepaid vendors earn commission on the value of each transaction with a maximum limit in place.

For conditional grant receipts, kindly refer to Note 29.

Commission to Prepaid vendors and expenditure relating to services rendered by the traffic services vendor are disclosed in Note 38.

No other resources are held by these vendors on behalf of the municipality. As no resources are held, except the daily cash-ups, no significant risks have been transferred to these vendors.

Entity as agent

Additional information

Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Category(ies) of revenue received or to be received on behalf of the principal, are:

Categories

Licencing fees

Additional details

The municipality receives a commission on collection of Licencing Fees on behalf of the Provincial Department of Transport and Public Works. The municipality accounts for its portion as Income from Agency Services and the net amount due to the Provincial Department is transferred to such department.

Transfer Fees received on behalf of the Beneficiaries from Housing Projects

Fees received from the Provincial Department of Housing for registering the owner at the deeds office are considered to not be for the benefit of the municipality and is not directly accounted for as part of the construction contracts. To this extent, the municipality is regarded as the agent and expenses are accounted for on a net basis.

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67. Accounting by principals and agents (continued)

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

Motor Vehicle Licenses

Opening balance	470 910	395 709
Revenue that principal is entitled to	28 894 218	32 070 362
Cash repaid to the principal	(24 590 907)	(27 621 880)
Income from agency service	(3 940 171)	(4 373 281)
	834 050	470 910

The amount due to the Department is included under Payables from exchange Transactions.

Transfer Fees received on behalf of the Beneficiaries from Housing Projects

Receipts from Provincial Department	279 437	244 000
Payments made o.b.o. beneficiaries	(279 437)	(244 000)
	-	-

Details regarding transactions where the municipality is considered the principal, are disclosed in Notes 7, 19, 26 and 29.

Gains or losses on the acquisition of land is included under gains and losses in the Statement of Financial Performance as similar transactions are entered into with the public on an ongoing basis.

All infrastructure and land that arises from Housing Arrangements are included under Property, Plant and Equipment or Investment Property as appropriate. Land acquired by means of Housing Arrangements for which the future use is not yet determined, is accounted for as Investment Property when the municipality is unable to determine the future use of the Land. Once the use is determined or determinable in terms of Town Planning, the land will be transferred to Property, Plant and Equipment or disposed as per the requirements of the Guideline. History has shown that some Land portions could be purchased and retained indefinitely resulting in a different accounting treatment than that outlined by the Guideline with regards to Land being included under Investment Property. In terms of the Municipal Asset Management Policy, only once the use of vacant land has been determined in terms of a Council decision, may vacant land be accounted for as Property, Plant and Equipment.

68. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2020.

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68. Events after the reporting date (continued)

Effects of COVID 19

As a result of the outbreak of the coronavirus pandemic (COVID 19), a national state of disaster was declared. Various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. The impact has been devastating to the most vulnerable in our community. Due to the robust financial model applied by the municipality, the overall going concern and financial position remains relatively unchanged due to the continued support by those members of the community who can afford to do so.

The below illustrates how these regulations had impacted the current year financial results of the municipality.

Current Assets: Limited consequences were noted regarding the valuation of current assets. The recoverable rate of receivables has remained largely unchanged. The municipality has however adopted a new approach as to how to calculate the provision for impairment of debtors. Previously, debtors were impaired on a group basis. The annual value of bad debts written off was very similar to that of provision recognised for each of the years. The methodology was therefore considered appropriate. Under the current conditions, the municipality extended this methodology to consider each individual household as this approach was deemed more conservative. As a consequence, the provision for bad debts on service debtors and corresponding expense, Impairment Loss on Receivables has increased significantly as indicated under Note 55. Other current assets were not affected.

Non-current assets: Non-current assets are all stated based on cost. The majority of the municipal asset base is also non-cash generating, which results therein that changes in discount rates does not affect the value of assets. Investment Property was compared to the valuation roll as the latest valuation which became effective as of 1 July 2020. This implies that non-current assets would only be affected by impairment indicators. To date of publishing, no significant adverse changes were noted in the valuation of these assets in comparison to their costs.

There have been no major changes in future acquisition projects and therefore the pandemic has not had any significant impact on the useful lives of assets as the current utilisation rates are expected to remain similar to those prior to the outbreak. The municipality will continue to strive towards excellent infrastructure that meets the requirements of the communities we deliver services to. The pandemic had negative consequences for all of us, but the focus of the municipality towards service delivery and necessary capital expansion remains unwavering.

Liabilities: No terms were renegotiated with lenders and therefore the valuation of liabilities remains unaffected by the current economic conditions. The Employee Benefits and Landfill site provision were adverse affected by the increase in the 20 year bond rates due to the increased cost of debt for the country as a whole. To date of publishing, no other significant adverse changes were noted in the valuation of liabilities in comparison to their amortised cost as disclosed.

Service charges and Rates: Special Concessions were made effective from 1 April 2020 to reduce the impact of national lockdown on those most vulnerable to the adverse economic conditions. A special additional R20 000 rebate on the valuation of properties were granted to registered indigents. Furthermore, a rebate to an amount equal to the rates payable on the first amount of the valuation of such property to a limit of R300 000 was granted to qualifying senior citizens and disabled persons.

Grants received: The municipality received special allocations in order to assist communities in need to the value of R1 044 000. Of this, R850 000 was received from National Government for food parcels, an additional R119 000 to mitigate the financial impact of the virus from National Government, R50 000 from the District Municipality and R25 000 from private individuals for relief to communities.

Expenses: Due to the implication of TERS, the employer did not deduct or incur the monthly charges for Skills Development Levies (SDL) for the month of May 2020 and June 2020. The impact hereof is negligible. Additional overtime was required from employees delivering protective services to the value of R1 787 467 as a direct result of the amended lockdown regulations. An amount of R642 502 is included under inventory consumed which directly relates to personal protective equipment and sanitising agents to protect our employees. The Contracted Services also included expenses for sanitation of the offices and medical expenses (screening of employees). Lastly, under transfer payments, payments to the value of R300 000 was made to non-profit institutions in order to assist those in need whilst R855 963 worth of food parcels was distributed to households in need.

Provincial treasury requested detailed expenditure reports are provided on a weekly basis in order to assist with oversight of the Covid-19 expenditure. In this regards, monthly totals are reported in Note 59.

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68. Events after the reporting date (continued)

The full impact of national lockdown and consequential reduction in cash flow for periods after 30 June 2020 cannot yet be determined reliably. The council has approved our revised budget for 2020/21 which includes various concessions in order to further mitigate the economic impact of the virus on our communities. Early estimates as outlined in our published budget indicate a sound financial position for 30 June 2021 and periods beyond.

69. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus (deficit) of R 2 194 262 624 and that the municipality's total assets exceed its liabilities by R 2 393 770 422.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

In assessing whether the going concern assumption is appropriate under the current economic climate resulting from the COVID-19 pandemic, management considered a wide range of factors including the current and expected performance of the municipality, the likelihood of continued government funding and, if necessary, potential sources of replacement funding.

70. B-BBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

Swartland Municipality

Annual Financial Statements for the year ended 30 June 2020

Appendix A: Schedule of External Loans

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/2019	Received/Transferred during the period	Interest capitalised during the period	Redeemed written off during the period	Balance 30/06/2020
LONG- TERM LOANS							
Development Bank	2028/12/29	30 712 203	16 105	-	2 081 603	28 614 495	
Development Bank	2023/12/29	1 078 273	571	-	200 912	876 790	
Development Bank	2031/12/31	58 183 126	33 981	-	2 344 704	55 804 441	
Sanlam	2031/06/30	28 656 998	17 200	-	1 218 749	27 421 049	
West Coast District Municipality							
West Coast District Municipality: Development Bank 6100 7028	2022/12/31	4 201 980	1 980	-	1 200 000	3 000 000	
West Coast District Municipality: Development Bank 6100 1005	2020/06/30	2 041 518	-	-	2 041 518	-	
West Coast District Municipality: Development Bank 6100 1006	3020/06/30	529 669	-	-	529 669	-	
West Coast District Municipality: ABSA	2021/02/01	4 272 782	182 709	96 804	1 937 381	2 249 496	
Total Long- Term Loans		129 676 549	252 546	96 804	11 554 536	117 966 271	
TOTAL EXTERNAL LOANS		129 676 549	252 546	96 804	11 554 536	117 966 271	

Swartland Municipality

Annual Financial Statements for the year ended 30 June 2020

Appendix B: Analysis of Property, Plant and Equipment

	Cost/Revaluation						Accumulated Depreciation						
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Transfers	Additions	Impairment	Disposals	Closing Balance	Carrying Value
Land													
Undeveloped Land	63 313 763	5 682 627	7 868 043	-	1 963 678	74 900 755	21 080	-	-	1 378 000	-	1 399 080	73 501 675
	63 313 763	5 682 627	7 868 043	-	1 963 678	74 900 755	21 080			1 378 000		1 399 080	73 501 675
Infrastructure													
Roads	921 737 784	-	7 897 023	997 911	-	930 632 718	513 662 219	-	22 896 909	-	-	536 559 128	394 073 590
Sanitation	704 090 566	36 869	1 093	14 454 020	-	718 582 548	322 140 786	-	15 765 432	-	-	337 906 218	380 676 330
Stormwater	223 761 404	-	-	1 819 998	-	225 581 402	95 429 340	-	4 551 840	-	-	99 981 180	125 600 222
Electricity													
Capital Spares	6 862 613	-	-	-	-	6 862 613	873 686	-	212 271	-	-	1 085 957	5 776 656
HV Transmission Conductors	1 536 706	-	-	-	-	1 536 706	325 290	-	36 195	-	-	361 485	1 175 221
LV Networks	100 633 923	-	2 185 100	-	198 314	102 620 709	43 970 223	-	2 468 744	-	69 969	46 368 998	56 251 711
MV Networks	360 212 540	(2 240 081)	5 974 622	-	1 323 607	362 623 474	177 221 156	-	7 014 712	-	1 183 775	183 052 093	179 571 381
MV Substations	92 866 343	2 240 081	14 638 636	-	4 870 974	104 874 086	37 131 433	-	1 959 052	-	3 290 974	35 799 511	69 074 575
MV Switching Station	41 948 508	-	291 360	-	-	42 239 868	18 996 177	-	1 153 013	-	-	20 149 190	22 090 678
Power plants	48 976	-	-	-	-	48 976	17 552	-	2 638	-	-	20 190	28 786
Water													
Reservoirs	138 744 798	8 478 592	236 277	-	2 286 000	145 173 667	67 845 478	-	2 284 625	-	2 285 999	67 844 104	77 329 563
Boreholes	355 643	-	-	-	-	355 643	167 292	-	14 308	-	-	181 600	174 043
Bulk Mains	22 088 074	1 253 786	37 159	-	-	23 379 019	2 923 293	-	1 175 614	-	-	4 098 907	19 280 112
Dams an weirs	30 855 234	-	-	-	-	30 855 234	28 652 859	-	266 544	-	-	28 919 403	1 935 831
Distribution	639 835 572	(10 254 078)	8 904 185	1 547 162	994 986	639 037 855	341 807 061	-	9 900 180	-	782 256	350 924 985	288 112 870
Pump stations	17 359 345	2 417 682	-	-	-	19 777 027	9 937 073	-	502 141	-	-	10 439 214	9 337 813
Water Treatment Works	4 957 805	(1 932 851)	14 369	-	-	3 039 323	3 213 404	-	140 841	-	-	3 354 245	(314 922)
Solid Waste													
Landfill Sites	10 312 444	-	4 842 021	-	9 854 665	15 154 465	6 180 214	-	352 644	-	-	6 532 858	8 621 607
	39 307 560	-	2 563 727	-	9 854 665	32 016 622	21 248 847	-	3 408 520	-	7 434 430	17 222 937	14 793 685
	3 357 515 838	-	47 585 572	18 819 091	19 528 546	3 404 391 955	1 691 743 383	-	74 106 223	-	15 047 403	1 750 802 203	1 653 589 752

Swartland Municipality

Annual Financial Statements for the year ended 30 June 2020

Appendix B: Analysis of Property, Plant and Equipment

	Cost/Revaluation						Accumulated Depreciation						Carrying Value
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Transfers	Additions	Impairment	Disposals	Closing Balance	
Community Assets													
Community Assets	211 841 893	1 097 883	7 729 715	30 909 642	234 491	251 344 642	117 617 104	-	4 058 115	57 202	152 415	121 580 006	129 764 636
Libraries	44 445 293	-	-	-	-	44 445 293	33 779 577	-	488 038	-	-	34 267 615	10 177 678
	256 287 186	1 097 883	7 729 715	30 909 642	234 491	295 789 935	151 396 681	-	4 546 153	57 202	152 415	155 847 621	139 942 314
Movable Assets													
Machinery and Equipment	24 451 128	-	3 167 724	95 551	464 622	27 249 781	13 987 185	-	1 608 807	-	416 417	15 179 575	12 070 206
Furniture and Office Equipment	8 537 626	-	343 988	-	129 722	8 751 892	6 381 923	-	523 399	-	116 256	6 789 066	1 962 826
Transport Assets	56 269 939	-	2 884 705	-	442 004	58 712 640	18 652 831	-	3 117 375	-	257 420	21 512 786	37 199 854
Computer Equipment	12 029 943	-	1 674 329	-	446 559	13 257 713	8 402 755	-	1 047 048	-	392 867	9 056 936	4 200 777
	101 288 636	-	8 070 746	95 551	1 482 907	107 972 026	47 424 694	-	6 296 629	-	1 182 960	52 538 363	55 433 663
Other Assets													
Municipal Buildings	151 204 096	(1 097 883)	218 929	-	-	150 325 142	119 817 494	-	1 754 915	-	-	121 572 409	28 752 733
	151 204 096	(1 097 883)	218 929	-	-	150 325 142	119 817 494	-	1 754 915	-	-	121 572 409	28 752 733
Total: Property, Plant and Equipment	3 929 609 519	5 682 627	71 473 005	49 824 284	23 209 622	4 033 379 813	2 010 403 332	-	86 703 920	1 435 202	16 382 778	2 082 159 676	1 951 220 137

Swartland Municipality

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Appendix B: Analysis of Investment Property, Intangible Assets and Heritage Assets

	Cost/Revaluation						Accumulated Depreciation						Carrying Value
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Transfers	Additions	Impairment	Disposals	Closing Balance	
Investment Properties													
Dwellings	4 647 311	(474 542)	-	-	-	4 172 769	3 219 171	-	59 878	-	-	3 279 049	893 720
Undeveloped Land	38 825 603	(5 208 085)	1 949 500	-	1 253 347	34 313 671	-	-	-	37 000	-	37 000	34 276 671
Intangible Assets													
Computer Software	5 114 357	-	-	-	666 312	4 448 045	4 137 731	-	223 206	-	641 574	3 719 363	728 682
Servitudes and Land Rights	188 118	-	-	-	-	188 118	-	-	-	-	-	-	188 118
Heritage Assets													
Historical Buildings	586 266	-	-	-	-	586 266	-	-	-	-	-	-	586 266
Monuments	181 000	-	-	-	-	181 000	-	-	-	-	-	-	181 000
Work of Art	352 634	-	-	-	-	352 634	-	-	-	-	-	-	352 634
Total	49 895 289	(5 682 627)	1 949 500	-	1 919 659	44 242 503	7 356 902	-	283 084	37 000	641 574	7 035 412	37 207 091
Grand Total	3 979 504 808	-	73 422 505	49 824 284	25 129 281	4 077 622 316	2 017 760 234	-	86 987 004	1 472 202	17 024 352	2 089 195 088	1 988 427 228

Swartland Municipality

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Appendix C: Segmental Analysis of Assets

	Cost/Revaluation						Accumulated Depreciation					Carrying Value	
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Transfers	Additions	Impairment	Disposals	Closing Balance	
Occupational Health and Safety	87 247		-	-	-	87 247	47 352	-	5 463	-	-	52 815	34 432
Administration Civil	1 077 520		7 770	-	4 367	1 080 923	417 890	-	57 667	-	4 183	471 374	609 549
Administration Development Services	1 240 465		13 508	-	4 653	1 249 320	640 230	-	39 756	-	4 074	675 912	573 408
Administration Corporate Services	8 489 907		14 726	-	481 296	8 023 337	2 864 713	-	53 917	-	200 049	2 718 581	5 304 756
Administration Financial Services	8 254 898		61 563	-	675 189	7 641 272	6 419 400	-	346 432	-	656 848	6 108 984	1 532 288
Administration Municipal Manager	69 746		-	-	-	69 746	45 922	-	6 264	-	-	52 186	17 560
Administration Protection Services	19 493		6 358	-	-	25 851	8 670	-	3 215	-	-	11 885	13 966
Building Control	80 982		-	-	828	80 154	57 231	-	6 990	-	744	63 477	16 677
Caravan Park - Yzerfontein	1 692 558		371 065	-	1 757	2 061 866	188 711	-	50 949	-	611	239 049	1 822 817
Cemeteries	7 376 004		-	-	114 316	7 261 688	4 748 978	-	227 252	-	-	4 976 230	2 285 458
Community Development	642 863		-	752 852	-	1 395 715	26 762	-	2 465	-	-	29 227	1 366 488
Council	505 724		2 431	-	1 200	506 955	250 934	-	31 590	-	1 024	281 500	225 455
Planning and Valuation	85 397		10 773	-	-	96 170	64 330	-	5 667	-	-	69 997	26 173
Electricity Distribution	612 108 958		18 133 247	-	6 620 810	623 621 395	284 373 639	-	13 552 258	-	4 682 645	293 243 252	330 378 143
Fire Fighting	5 471 402		230 647	-	81 159	5 620 890	885 351	-	206 792	-	75 966	1 016 177	4 604 713
Housing	51 405 200		2 325	18 262 527	31 043	69 639 009	4 373 855	-	1 123 884	-	5 871	5 491 868	64 147 141
Human Resources	45 700		-	-	-	45 700	26 660	-	3 329	-	-	29 989	15 711
Internal Audit	24 407		-	-	-	24 407	12 344	-	4 098	-	-	16 442	7 965
IT Services	10 499 720		2 057 398	-	80 456	12 476 662	6 496 242	-	1 114 939	-	60 357	7 550 824	4 925 838
Libraries	9 819 887		55 503	-	23 415	9 851 975	2 569 493	-	486 421	-	11 371	3 044 543	6 807 432
Licensing and Traffic Services	2 984 479		138 613	-	280 833	2 842 259	1 825 823	-	197 585	-	209 803	1 813 605	1 028 654
Multi- Purpose Centre	249 555		11 208	9 381 590	-	9 642 353	41 714	-	33 949	-	-	75 663	9 566 690
Municipal Property	376 041 791	181 162	14 002 825	386 901	3 179 647	387 433 032	219 018 613	-	3 464 193	1 415 000	133 116	223 764 690	163 668 342
Parks and Recreational Areas	27 656 019		612 085	1 859 972	268 297	29 859 779	6 082 484	-	572 345	54 080	196 576	6 512 333	23 347 446
Policing and Law Enforcement	4 799 226		2 035 614	-	205 257	6 629 583	1 641 574	-	502 331	-	190 921	1 952 984	4 676 599
Refuse Removal	80 900 674		7 423 932	95 551	9 857 525	78 562 632	40 236 375	-	4 922 820	-	7 436 954	37 722 241	40 840 391
Sewerage	707 906 094		41 582	14 454 021	41 963	722 359 734	326 326 881	-	16 134 374	-	29 102	342 432 153	379 927 581
Sportgrounds	72 876 459		320 000	265 799	-	73 462 258	37 651 125	-	1 767 173	3 122	-	39 421 420	34 040 838
Supply Chain Management	32 282		1 478	-	-	33 760	14 946	-	4 436	-	-	19 382	14 378
Streets and Stormwater	1 133 442 499		18 529 873	2 817 909	73 106	1 154 717 175	613 759 111	-	27 592 929	-	53 641	641 298 399	513 418 776
Swimming Pools	19 223		-	-	-	19 223	16 552	-	620	-	-	17 172	2 051
Tourism	15 036		-	-	-	15 036	13 564	-	418	-	-	13 982	1 054
Town and Community Halls	322 982		53 380	-	-	376 362	180 344	-	26 786	-	-	207 130	169 232
Water Services	853 260 410		9 284 595	1 547 162	3 283 326	860 808 841	456 432 416	-	14 437 697	-	3 070 497	467 799 616	393 009 225
TOTAL	3 979 504 807	181 162	73 422 499	49 824 284	25 310 443	4 077 622 309	2 017 760 229	-	86 987 004	1 472 202	17 024 353	2 089 195 082	1 988 427 227

Swartland Municipality

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Appendix D: Segmental Statement of Financial Performance

2019 Restated Actual Income R	2019 Restated Actual Expenditure R	2019 Restated Surplus/ (Deficit) R		2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R
633 503	34 393 931	(33 760 428)	Executive and Council	644 652	36 231 844	(35 587 192)
201 252 939	76 399 305	124 853 634	Finance and Administration	225 414 896	85 368 111	140 046 785
3 648 348	12 465 240	(8 816 892)	Planning and Development	4 278 050	13 623 475	(9 345 425)
14 766 837	18 890 275	(4 123 438)	Community and Social Services	13 137 414	20 381 768	(7 244 354)
31 239 510	30 101 965	1 137 545	Housing	37 454 332	13 367 429	24 086 903
28 023 888	48 708 044	(20 684 156)	Public Safety	27 499 902	63 357 200	(35 857 298)
7 435 555	21 560 245	(14 124 690)	Sport and Recreation	2 290 832	22 562 670	(20 271 838)
-	-	-	Environmental Protection	-	-	-
73 913 431	50 047 857	23 865 574	Waste Water Management	74 588 152	52 678 856	21 909 296
44 411 557	36 570 921	7 840 636	Waste Management	47 452 556	42 433 036	5 019 520
18 334 366	71 947 440	(53 613 074)	Road Transport	14 157 063	67 043 130	(52 886 067)
95 860 777	56 706 594	39 154 183	Water	105 186 277	59 418 434	45 767 843
283 799 806	232 382 884	51 416 922	Electricity	322 616 092	269 737 501	52 878 591
803 320 517	690 174 701	113 145 816	Total	874 720 218	746 203 454	128 516 764

Swartland Municipality

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Appendix E: Disclosure of Grants and Subsidies in terms of Section 123 of the MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity													Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act		
		Quarterly Receipts				Quarterly expenditure				Grants and Subsidies delayed / withheld							
		September	December	March	June	September	December	March	June	September	December	March	June				
Community Safety: K9 Unit	Provincial Department of Community Safety	-	2 000 000	-	-	-	146 864	787 571	2 462 240	-	-	-	-	None	Yes		
Community Development Workers	Provincial Department of Local Government	-	-	74 000	-	3 127	-	-	450	-	-	-	-	None	Yes		
Emergency Fire Kits	Provincial Department of Human Settlements	-	-	-	-	1 696	-	-	-	-	-	-	-	None	Yes		
Energy Efficiency And Demandside Management		2 000 000	1 000 000	1 000 000	-	-	-	2 909 945	1 090 055	-	-	-	-	None	Yes		
Equitable Share	National Department of Cooperative Governance and Traditional Affairs	38 139 000	30 511 000	22 884 000	-	38 139 000	30 511 000	22 884 000	-	-	-	-	-	None	Yes		
Extended Public Works Programme	National Department of Public Works	442 000	796 000	530 000	86 605	229 170	206 020	272 063	1 060 747	-	-	-	-	None	Yes		
Financial Management Support Grant: Caseware	Provincial Department of Finance	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes		
Financial Management Support Grant: SCOA	Provincial Department of Finance	-	330 000	-	-	43 200	86 800	149 842	50 158	-	-	-	-	None	Yes		
Financial Management Support Grant: Student Bursaries	Provincial Department of Finance	-	-	379 000	-	9 111	-	122 576	7 464	-	-	-	-	None	Yes		
Financial Management Support Grant: Risk Management	Provincial Department of Finance	-	-	-	-	44 862	460	-	-	-	-	-	-	None	Yes		
Greenest Municipality	Provincial Department of Environmental Affairs and Development Planning	-	-	140 000	-	-	-	-	140 000	-	-	-	-	None	Yes		
Graduate Internship Grant		-	-	-	-	-	-	52 857	8 224	-	-	-	-	None	Yes		

Swartland Municipality

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Appendix E: Disclosure of Grants and Subsidies in terms of Section 123 of the MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly expenditure				Grants and Subsidies delayed / withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act
		September	December	March	June	September	December	March	June	September	December	March	June		
Housing De Hoop	Provincial Department of Human Settlements	-	2 886 621	-	-	-	-	-	2 521 443	462 645	-	-	-	None	Yes
Housing Phola Park	Provincial Department of Human Settlements	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes
Housing Riebeek Wes	Provincial Department of Human Settlements	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes
Housing Project: Riebeek Kasteel	Provincial Department of Human Settlements	-	8 966 603	6 621 296	1 700 000	-	5 769 094	58 995	4 397 355	-	-	-	-	None	Yes
Housing Project Kalbaskraal	Provincial Department of Human Settlements	-	4 641 392	593 861	1 119 353	-	2 863 003	747 607	1 442 385	-	-	-	-	None	Yes
Housing Project Sibanye-Moorreesburg	Provincial Department of Human Settlements	-	1 798 675	6 678 329	-	-	2 697 415	2 767 612	2 961 436	-	-	-	-	None	Yes
Integrated National Electrification Programme	National Department of Energy	2 000 000	3 000 000	-	-	1 439 322	2 412 653	958 037	189 988	-	-	-	-	None	Yes
Library	Provincial Department of Cultural Affairs and Sport	3 202 334	3 202 333	3 202 333	-	1 904 178	2 441 525	2 298 389	2 958 661	-	-	-	-	None	Yes
Local Government Financial Management Grant	National Treasury	1 550 000	-	-	-	273 098	189 426	148 476	939 000	-	-	-	-	None	Yes
Local Government Seta	Local Government Seta	105 611	56 364	104 614	89 283	325 425	30 449	-	-	-	-	-	-	None	Yes
Local Government Support Grant	Provincial Department of Local Government	-	-	-	850 000	-	-	-	850 000	-	-	-	-	None	Yes
Municipal Disaster Relief	National Department of Cooperative Governance and Traditional Affairs	-	-	-	119 000	-	-	-	119 000	-	-	-	-	None	Yes
Municipal Infrastructure Grant	National Department of Cooperative Governance and Traditional Affairs	4 800 000	8 000 000	-	8 501 000	1 878 626	8 899 901	778 355	9 744 118	-	-	-	-	None	Yes

Swartland Municipality

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Appendix E: Disclosure of Grants and Subsidies in terms of Section 123 of the MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity													Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act		
		Quarterly Receipts				Quarterly expenditure				Grants and Subsidies delayed / withheld							
		September	December	March	June	September	December	March	June	September	December	March	June				
Municipal Accreditation And Capacity Building		-	-	-	238 000	-	-	-	224 000	-	-	-	-	None	Yes		
Proclaimed Roads Subsidy	Provincial Department of Transport and Public Works	-	-	6 317 905	-	-	-	4 442 154	1 875 751	-	-	-	-	None	Yes		
Purchase of Land: Kalbaskraal	Provincial Department of Housing	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes		
Regional Socio - Economic Project (RSEP)	Provincial Department of Environmental Affairs and Development Planning	-	4 000 000	-	-	-	-	161 252	652 457	-	-	-	-	None	Yes		
Sondeza	Provincial Department of Local Government	35 841	29 841	29 841	-	-	95 523	-	-	-	-	-	-	None	Yes		
Title Restoration: Housing Projects	Provincial Department of Human Settlements	-	-	-	-	-	-	-	1 738	-	-	-	-	None	Yes		
Rebuilding Of 4 Damaged		-	-	-	-	-	-	-	-	-	-	-	-	None	Yes		
Thusong Centre Refurbishment		-	-	-	-	-	-	-	-	-	-	-	-	None	Yes		
Sport Development	Provincial Department of Cultural Affairs and Sport	320 000	-	-	-	-	21 000	269 449	29 551	-	-	-	-	None	Yes		
Total		52 594 786	71 218 829	48 555 179	12 703 241	44 290 815	56 371 133	42 330 623	31 667 423	-	-	-	-				